THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in SOCAM Development Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

瑞安建業
SOCAM DEVELOPMENT

瑞安建業有限公司*

SOCAM Development Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

MAJOR TRANSACTION

ACQUISITION OF COMMERCIAL BUILDING IN HONG KONG

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

A letter from the Board is set out on pages 5 to 10 of this circular.

The Acquisition has been approved by written approval of Shareholders which form a closely allied group of Shareholders and together hold more than 50% of the issued share capital of the Company. Accordingly, no general meeting of Shareholders will be convened to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to all Shareholders for information only.

* *For identification purpose only*

Hong Kong, 28 December 2018

CONTENTS

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

"Acquisition"	the acquisition of the Sale Share and the assumption of the Sale Loan pursuant to the Sale and Purchase Agreement;
"Adjusted Purchase Price"	has the meaning ascribed to it under the section headed "THE SALE AND PURCHASE AGREEMENT — Consideration and Payment Terms" in the letter from the Board;
"Audited Completion Accounts"	the audited management accounts of the Target Company for the period from 1 April 2018 up to the Completion Date to be prepared in accordance with the terms of the Sale and Purchase Agreement for the purpose of determining the Post Completion Adjustment to be made to the Adjusted Purchase Price;
"Bank"	a licensed bank established under the laws of Hong Kong;
"Bank Consent"	has the meaning ascribed to it under the section headed "THE SALE AND PURCHASE AGREEMENT — Consideration and Payment Terms" in the letter from the Board;
"Board"	the board of Directors;
"Business Day"	a day (other than Saturday, Sunday or a public holiday) on which banks are generally open for normal banking business in Hong Kong;
"close associates", "connected person(s)", and "subsidiary(ies)"	each has the meaning ascribed to it under the Listing Rules;
"Company"	SOCAM Development Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 983);
"Completion"	completion of the Acquisition in accordance with the terms of the Sale and Purchase Agreement;
"Completion Date"	the date on which Completion took place, being 18 December 2018;

"Consideration"	the consideration paid to the Vendor by the Purchaser for the Acquisition;
"Directors"	directors of the Company;
"€"	EURO, the lawful currency of the Eurozone;
"Enlarged Group"	the Group as enlarged by the Target Company upon Completion;
"Group"	collectively, the Company and its subsidiaries;
"Guarantor"	Mr. Cheung Siu Wing, the guarantor to the Sale and Purchase Agreement;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Latest Practicable Date"	21 December 2018, being the latest practicable date for ascertaining certain information referred to in this circular prior to its printing;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Macau"	the Macau Special Administrative Region of the People's Republic of China;
"Outstanding Bank Loan"	a facility granted by the Bank to the Target Company pursuant to a facility letter dated 14 September 2017, the outstanding amount of which was HK$121.4 million as at the Completion Date;
"Post Completion Adjustment"	has the meaning ascribed to it under the section headed "THE SALE AND PURCHASE AGREEMENT — Consideration and Payment Terms" in the letter from the Board;
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
"Pro forma Adjusted NAV"	the net asset value of the Target Company as shown in the Pro forma Completion Accounts;

"Pro forma Completion Accounts"	the projected unaudited management accounts of the Target Company for the period from 5 September 2018 up to the Completion Date prepared in accordance with the terms of the Sale and Purchase Agreement for the purpose of calculating the Adjusted Purchase Price;
"Property"	a commercial building situated at No. 93 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong;
"Purchaser"	Talent Reach Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 13 November 2018 entered into between the Purchaser, the Vendor and the Guarantor in relation to the Acquisition;
"Sale Loan"	the interest-free shareholder's loan owing by the Target Company to the Vendor as at the Completion Date, in an amount of approximately HK$123.99 million, which was assigned to the Purchaser pursuant to the Sale and Purchase Agreement on Completion;
"Sale Share"	one ordinary share of US$1.00 of the Target Company, representing the entire issued share capital of the Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
"Shares"	ordinary shares in the capital of the Company;
"Shareholders"	holders of the Shares;
"SOCL"	Shui On Company Limited, a company incorporated in the British Virgin Islands with limited liability;
"SOFCL"	Shui On Finance Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SOCL;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Target Company"	Profit Point Development Limited, a company incorporated in the British Virgin Islands with limited liability and a registered non-Hong Kong company in Hong Kong;
"US$"	United States dollars, the lawful currency of the United States of America;
"Vendor"	Profit Mastery Investments Limited, a company incorporated in the British Virgin Islands with limited liability; and
"%"	per cent.

瑞安建業有限公司*

SOCAM Development Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

Executive Directors:
Mr. Lo Hong Sui, Vincent
Mr. Wong Yuet Leung, Frankie

Independent non-executive Directors:
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. William Timothy Addison

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

Head Office and Principal Place of Business in Hong Kong:
34th Floor
Shui On Centre
6-8 Harbour Road
Hong Kong

28 December 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF COMMERCIAL BUILDING IN HONG KONG

INTRODUCTION

On 13 November 2018, the Board announced that the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor and the Guarantor in respect of the Acquisition.

The purpose of this circular is to provide you with (i) further details of the Sale and Purchase Agreement and the Acquisition; and (ii) other information required under the Listing Rules.

* *For identification purpose only*

THE SALE AND PURCHASE AGREEMENT

Date

13 November 2018

Parties

(1) Purchaser: Talent Reach Group Limited

(2) Vendor: Profit Mastery Investments Limited

(3) Guarantor: Mr. Cheung Siu Wing

The Purchaser is an indirect wholly-owned subsidiary of the Company and its principal activity is investment holding.

As far as the Company is aware after making reasonable enquiry, the Vendor is a company incorporated in the British Virgin Islands with limited liability and its principal activity is investment holding.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner as well as the Guarantor are independent of the Company and its connected persons.

Subject Matter

Pursuant to the Sale and Purchase Agreement, (i) the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Purchaser agreed to assume and the Vendor agreed to assign the Sale Loan. The Sale Loan represents the shareholder's loan owing by the Target Company to the Vendor as at the Completion Date, which was unsecured, interest-free and repayable on demand.

The principal asset of the Target Company is the Property, which is a commercial building situated in Kwun Tong, Kowloon, Hong Kong with a total gross floor area of approximately 27,800 square feet. Currently, certain units of the Property are leased to commercial tenants by the Target Company for rental income, and the term of the existing leases is generally two to three years. As at 30 September 2018, the occupancy rate of the Property was approximately 36% and the average monthly rental income of the Target Company was approximately HK$250,000. In addition to rental, tenants are charged for a monthly management fee for services provided by an independent property management company engaged by the Target Company, such as building handover, security guide services and other building management services as stated in the relevant property management contract. Further details about the Property are set out in the property valuation report contained in Appendix V to this circular.

Consideration and Payment Terms

The Consideration is HK$182.1 million (the "**Adjusted Purchase Price**"), being the agreed price of HK$303.5 million as adjusted on Completion for a decrease of HK$121.4 million in accordance with the terms of the Sale and Purchase Agreement based on the Pro forma Adjusted NAV (i.e. the adjustment for the amount of the Outstanding Bank Loan of HK$121.4 million as mentioned below). The Adjusted Purchase Price shall be subject to further adjustment (the "**Post Completion Adjustment**"), if any, for any difference between the Pro forma Completion Accounts and the Audited Completion Accounts after Completion. Such Post Completion Adjustment shall be determined following the delivery of the Audited Completion Accounts by the Vendor within 30 days after Completion and the adjustment payment, if any, shall be made within seven Business Days thereafter.

Pursuant to the terms of the Sale and Purchase Agreement, in the event that the consent from the Bank to the change of control of the Target Company to the Purchaser in relation to the Outstanding Bank Loan (the "**Bank Consent**") is obtained prior to Completion, the Consideration shall be adjusted downward by the amount of the Outstanding Bank Loan. On Completion, the Bank Consent has been obtained by the Target Company. As such, a downward adjustment of HK$121.4 million, being the amount of the Outstanding Bank Loan as at the Completion Date, was made to the Consideration accordingly.

To the best estimation of the Company, the Post Completion Adjustment to the Consideration will not exceed an amount of HK$1 million and will not result in a change in the classification of the Acquisition as a major transaction under the Listing Rules.

The Adjusted Purchase Price was settled by the Purchaser in cash in the following manner:

(a) a deposit of HK$15.5 million that has been paid to the Vendor's solicitors prior to the date of the Sale and Purchase Agreement and a further deposit of HK$14.85 million that has been paid to the Vendor's solicitors on 14 November 2018 were released to the Vendor by the Vendor's solicitors at Completion; and

(b) an aggregate amount of HK$151.75 million, being the remaining balance of the Adjusted Purchase Price, was paid to the Vendor and its designated party at Completion.

The Acquisition was financed by the internal resources of the Group and banking facilities available to it.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor, taking into account a number of factors including but not limited to (i) the net asset value of the Target Company; (ii) the amount of the Sale Loan; (iii) the market value of the Property being HK$360 million, which was based on the valuation report prepared by Jones Lang LaSalle Limited, an independent well-known professional valuer in the property valuation market; (iv) the prevailing market value of comparable commercial buildings near the Property; and (v) the location and conditions of the Property.

The Board has assessed the valuation method and the key assumptions adopted in the property valuation report prepared by Jones Lang LaSalle Limited and is of the view that they are fair and reasonable. For details of the property valuation report, including the valuation method and key assumptions adopted, please refer to Appendix V to this circular.

The agreed price of HK$303.5 million represents approximately 15.7% discount to the market value of the Property. Taking also this into account, the Board considers that the agreed price is justifiable and is in the interest of the Company and the Shareholders as a whole.

Conditions and Completion

Completion took place on 18 December 2018, being the Completion Date, upon satisfaction of all the conditions as stipulated in the Sale and Purchase Agreement, which include (among others):

(a) no legal or disciplinary proceedings being instituted or threatened against the Target Company or any director or any of the officer of the Target Company by any regulatory authority prior to Completion; and

(b) no outstanding construction costs being owed by the Target Company (including those payable to its related companies) in relation to the Property.

Guarantee

The Guarantor has unconditionally and irrevocably agreed to guarantee as primary obligor to the Purchaser the due and punctual performance and observance by the Vendor of all its obligations and undertakings under the Sale and Purchase Agreement until the same thereunder have been satisfied in full.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is a summary of certain audited financial information of the Target Company for the years ended 31 March 2017 and 2018:

	For the years ended 31 March	
	2018	**2017**
	HK$ million	*HK$ million*
Net profit (before taxation and extraordinary items)	9.7	53.8
Net profit (after taxation and extraordinary items)	10.0	53.8

As at 30 September 2018, the audited net asset value of the Target Company was approximately HK$115.2 million.

As at 30 September 2018, the Target Company recorded net current liabilities of approximately HK$244.8 million, which mainly consisted of (i) the shareholder's loan of approximately HK$97.4 million; (ii) bank borrowing of approximately HK$133.7 million with maturity date beyond five years; and (iii) an amount of approximately HK$11.5 million owed to the related companies of the Target Company recorded under "Accruals and Other Payables". The said long-term bank borrowing contained an on-demand clause and thus was classified as current liabilities under the prevailing accounting standards. In addition, the sum of approximately HK$11.5 million payable to the related companies of the Target Company has been settled by the Target Company prior to Completion. Upon Completion, it is anticipated that the shareholder's loan would be classified as a non-current intra-group loan by the Group. The Company considers that the liabilities of the Target Company would be well covered by the value of the Property. The Group will provide financing to maintain and support the daily operations of the Target Company, if necessary.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group principally engages in property development and investment, and asset management in the PRC, and construction in Hong Kong and Macau.

The Acquisition was proceeded after taking into account a number of factors including but not limited to (i) the net asset value of the Target Company; (ii) the amount of the Sale Loan; (iii) the market value of the Property being HK$360 million, which was based on the valuation report prepared by Jones Lang LaSalle Limited, an independent well-known professional valuer in the property valuation market; (iv) the prevailing market value of comparable commercial buildings near the Property; and (v) the location and conditions of the Property. The Board believes that the Acquisition represents an attractive opportunity for the Group to expand its property portfolio beyond Mainland China, and the Group will benefit from the anticipated growth in the value of the Property.

After Completion, the Company will initially hold the Property for investment purpose, and will continue to assess the market conditions and formulate suitable strategies from time to time for enhancing the return from this investment. The Target Company will continue to engage an appropriate property management company to provide management services to the Property after Completion.

The Board is of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS TO THE GROUP

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

Assets and liabilities

As illustrated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, had the Acquisition been completed on 30 June 2018, the total assets of the Group would have increased from HK$11,476 million to approximately HK$11,614 million on a pro forma basis, and the total liabilities of the Group would have increased from HK$7,861 million to approximately HK$7,999 million on a pro forma basis.

Earnings

Please refer to Appendix II to this circular for the financial information of the Target Company. Upon Completion, the results of the Target Company would be taken up in the Group's consolidated financial statements, which would have a positive effect on the Group's results.

LISTING RULES IMPLICATION

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company, which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

SOCL and its wholly-owned subsidiary, namely SOFCL, which together constitute a closely allied group of Shareholders, held 232,148,000 Shares and 2,233,000 Shares respectively, representing an aggregate of approximately 60.97% of the issued share capital of the Company, as at the Latest Practicable Date. The Company has obtained the written approval of these Shareholders for the Acquisition pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting of Shareholders will be convened by the Company for considering the Acquisition.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
SOCAM Development Limited
Wong Yuet Leung, Frankie
Executive Director, Chief Executive Officer and Chief Financial Officer

1. FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.socam.com):

- annual report of the Company for the year ended 31 December 2015 published on 19 April 2016 (pages 86-175):
http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0419/LTN20160419584.pdf

- annual report of the Company for the year ended 31 December 2016 published on 20 April 2017 (pages 91-174):
http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0420/LTN20170420238.pdf

- annual report of the Company for the year ended 31 December 2017 published on 23 April 2018 (pages 99-182):
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0423/LTN20180423300.pdf

- interim report of the Company for the six months ended 30 June 2018 published on 19 September 2018 (pages 23-46):
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0919/LTN20180919927.pdf

2. INDEBTEDNESS

As at the close of business on 15 November 2018, being the latest practicable date for ascertaining the indebtedness of the Enlarged Group for the purpose of this indebtedness statement, the Enlarged Group had the following indebtedness:

Borrowings

	HK$ million
Senior notes	2,024
Bank borrowings	1,693
Advances from joint ventures and related companies	141
	3,858
Secured*	934
Unsecured	2,924
	3,858

* All secured borrowings are guaranteed by the Company except for the amount of approximately HK$133 million which is guaranteed by the director and a related company controlled by the sole owner of the Target Company prior to Completion.

Mortgages and charges

At 15 November 2018, the Enlarged Group's secured borrowings were secured by certain of the Enlarged Group's bank deposits, investment properties, properties under development for sale, benefits accrued to the relevant investment properties, equity interests in certain subsidiaries and guaranteed by the Company.

Contingent liabilities

At 15 November 2018, the Enlarged Group had the following material contingent liabilities:

Guarantee issued in favour of a third party for a loan granted to a former wholly-owned subsidiary (the "**Former Subsidiary**") with an outstanding amount of RMB542 million (equivalent to approximately HK$612 million) and the related interest amounting to RMB472 million (equivalent to approximately HK$533 million). Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and this obligation is guaranteed by the parent company of such acquirer.

Other Liabilities

Save as disclosed above and apart from intra-group liabilities and normal trade payables, at the close of business on 15 November 2018, the Enlarged Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities. The Directors confirmed that there had been no material change in terms of the Enlarged Group's contingent liabilities and indebtedness during the period from 15 November 2018 to the Latest Practicable Date.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and available banking facilities, and the effect of the Acquisition, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, which is for at least 12 months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Over the past several years, the Group has made considerable progress in the execution of its monetisation strategy. In May and June of 2017, the Company successfully issued the three-year US$ denominated notes and raised longer-term funds in an aggregate amount of US$280 million. In addition, the Group monetised its 22% shareholding in the Dalian Tiandi project in December 2017, generating RMB1.3 billion cash proceeds over a 12-month period. Consequently, the Group has substantially reduced its total bank borrowings from HK$8.2 billion at the end of 2013 to HK$1.5 billion as at 30 June 2018 and has strengthened its working capital.

The Group owns six property projects commanding good locations in major cities in the PRC and featuring primarily a niche retail portfolio in Shenyang, Chengdu, Tianjin and Chongqing. The Group is making satisfactory progress on the asset enhancement programmes of these shopping malls, with the goal of raising occupancy rates, rental yields and values.

The construction business has been a core business of the Company since it was formed in 1997, and its subsidiaries are major contractors engaged in the housing projects and building works in the public sector of Hong Kong. The Government of the Hong Kong Special Administrative Region is determined to resolve the shortage of affordable housing units as its top priority. The Group's construction division, with its core strengths, sees ample business opportunities in the public construction sector in Hong Kong, and is maintaining a relatively stable order book. It is also well set to capture opportunities in community health and leisure facilities, as well as related construction activities such as fit-out, renovation and maintenance contracts.

The Group is now in a stronger financial position to act on opportunities in its core business areas as they arise. The Acquisition represents an attractive opportunity for the Group to expand its property portfolio beyond the PRC, and the Group will benefit from the anticipated growth in the value of the Property.

The following is the text of a report, received from the Target Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong prepared for the purpose of inclusion in this circular.

EY 安永

The Directors
SOCAM Development Limited

Dear Sirs,

We report on the historical financial information of Profit Point Development Limited (the "**Target Company**") set out on pages II-4 to II-27, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 March 2016, 2017 and 2018, and the six months ended 30 September 2018 (the "**Relevant Periods**"), and the statements of financial position of the Target Company as at 31 March 2016, 2017 and 2018 and 30 September 2018 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-27 forms an integral part of this report, which has been prepared for inclusion in the circular of SOCAM Development Limited (the "**Company**") dated 28 December 2018 (the "**Circular**") in connection with the acquisition of the entire equity interest of the Target Company, together with the related shareholder's loan, by Talent Reach Group Limited ("**Talent Reach**"), an indirect wholly-owned subsidiary of the Company (the "**Acquisition**").

DIRECTOR'S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The sole director of the Target Company (the "**Director**") is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Director determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 March 2016, 2017 and 2018 and 30 September 2018 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2017 and other explanatory information (the "**Interim Comparative Financial Information**"). The Director is responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

The Historical Financial Information is stated after making such adjustments to the Historical Financial Statements as defined on page II-4 as were considered necessary.

Dividends

No dividends have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

28 December 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared based on previously issued financial statements and management accounts of the Target Company for the Relevant Periods. The previously issued financial statements of the Target Company were audited by Albert Y K Lau & Co, certified public accountants, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Historical Financial Statements**").

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

(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Six months ended 30 September	
		2016	2017	2018	2017	2018
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
REVENUE	*4*	–	–	1,323	513	1,295
Property expenses		–	(241)	(1,316)	(475)	(811)
Gross (loss)/profit		–	(241)	7	38	484
Other income and gains	*4*	–	–	9	4	–
Change in fair value of an investment property	*10*	2,759	55,682	13,892	11,000	627
Administrative expenses		(102)	(90)	(797)	(106)	(602)
Finance costs	*6*	–	(1,516)	(3,431)	(1,813)	(1,424)
PROFIT/(LOSS) BEFORE TAX	*5*	2,657	53,835	9,680	9,123	(915)
Income tax credit	*8*	–	–	357	–	–
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD		2,657	53,835	10,037	9,123	(915)

(B) STATEMENTS OF FINANCIAL POSITION

		31 March			30 September
		2016	2017	2018	2018
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Investment property	*10*	233,000	337,000	351,000	360,000
Deferred tax asset	*19*	–	–	357	357
Total non-current assets		233,000	337,000	351,357	360,357
CURRENT ASSETS					
Trade receivables	*11*	–	–	108	318
Prepayments, deposits and other receivables	*12*	767	426	400	957
Cash and cash equivalents	*13*	6,883	1,352	517	590
Total current assets		7,650	1,778	1,025	1,865
CURRENT LIABILITIES					
Trade payables	*14*	–	192	151	304
Accruals and other payables	*15*	13,658	30,293	5,971	15,239
Loan from a related company	*16*	32,000	24,000	–	–
Interest-bearing bank borrowing	*17*	116,160	142,000	137,670	133,672
Loan from a shareholder	*18*	26,540	36,040	92,242	97,427
Total current liabilities		188,358	232,525	236,034	246,642
NET CURRENT LIABILITIES		(180,708)	(230,747)	(235,009)	(244,777)
TOTAL ASSETS LESS CURRENT LIABILITIES		52,292	106,253	116,348	115,580
NON-CURRENT LIABILITIES					
Other payables	*15*	–	126	184	331
Total non-current liability		–	126	184	331
Net assets		52,292	106,127	116,164	115,249
EQUITY					
Share capital	*20*	–	–	–	–
Retained profits		52,292	106,127	116,164	115,249
Total equity		52,292	106,127	116,164	115,249

(C) STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2015	–	49,635	49,635
Profit and total comprehensive income for the year	–	2,657	2,657
At 31 March 2016 and 1 April 2016	–	52,292	52,292
Profit and total comprehensive income for the year	–	53,835	53,835
At 31 March 2017 and 1 April 2017	–	106,127	106,127
Profit and total comprehensive income for the year	–	10,037	10,037
At 31 March 2018 and 1 April 2018	–	116,164	116,164
Loss and total comprehensive loss for the period	–	(915)	(915)
At 30 September 2018	–	115,249	115,249
(Unaudited)			
At 31 March 2017 and 1 April 2017	–	106,127	106,127
Profit and total comprehensive income for the period	–	9,123	9,123
At 30 September 2017	–	115,250	115,250

(D) STATEMENTS OF CASH FLOWS

		Year ended 31 March			Six months ended 30 September	
		2016	2017	2018	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		2,657	53,835	9,680	9,123	(915)
Adjustments for:						
Change in fair value of an investment property		(2,759)	(55,682)	(13,892)	(11,000)	(627)
Finance costs	6	–	1,516	3,431	1,813	1,424
		(102)	(331)	(781)	(64)	(118)
Increase in trade receivables		–	–	(108)	–	(210)
(Increase)/decrease in prepayments, deposits and other receivables		(497)	341	26	93	(557)
(Decrease)/increase in trade payables		(447)	192	(41)	(192)	153
Increase in accruals and other payables		1,404	130	606	4,802	1,047
Cash from/(used in) operations and net cash flows from/(used in) operating activities		358	332	(298)	4,639	315
CASH FLOWS FROM AN INVESTING ACTIVITY						
Additions to an investment property		(94,920)	(28,921)	(24,171)	(26,839)	(5)
Net cash flow used in an investing activity		(94,920)	(28,921)	(24,171)	(26,839)	(5)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loan		116,160	25,840	141,000	–	–
Repayment of bank loans		(20,090)	–	(145,330)	–	(3,998)
Interest paid		(2,086)	(4,282)	(4,238)	(2,620)	(1,424)
Increase/(decrease) in a loan from a related company		1,200	(8,000)	(24,000)	(6,000)	–
Increase in a loan from a shareholder		3,406	9,500	56,202	32,202	5,185
Net cash flows from/(used in) financing activities		98,590	23,058	23,634	23,582	(237)

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,028	(5,531)	(835)	1,382	73
Cash and cash equivalents at beginning of year/period	2,855	6,883	1,352	1,352	517
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	6,883	1,352	517	2,734	590
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	6,883	1,352	517	2,734	590

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the British Virgin Islands (the "**BVI**"). The registered office of the Target Company is located at 3/F, J & C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands, VG 1110.

During the Relevant Periods, the Target Company is principally involved in property investment.

During the Relevant Periods, the Target Company was 100% owned by Mr. Cheung Siu Wing ("**Mr. Cheung**"). Pursuant to a reorganisation undertaken subsequent to the Relevant Periods, Profit Mastery Investments Limited ("**Profit Mastery**"), a limited liability company incorporated in the BVI, and ultimately beneficially owned by Mr. Cheung, became the immediate holding company of the Target Company on 13 November 2018.

On 13 November 2018, Profit Mastery entered into a sale and purchase agreement with Talent Reach in connection with the Acquisition and completion of the Acquisition took place on 18 December 2018.

2.1 BASIS OF PRESENTATION

Despite the Target Company's net current liabilities as at 30 September 2018, the Historical Financial Information has been prepared by the Director as a going concern because Mr. Cheung has agreed to provide continual financial support and adequate funds for the Target Company to meet its liabilities as and when they fall due and undertaken not to demand repayment of the amount due to him and companies controlled by him until such time as the Target Company is in a position to repay such amounts without impairing its liquidity position. The Company has also agreed to provide continual financial support and adequate funds to the Target Company to meet its liabilities as and when they fall due after the completion of the Acquisition.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 April 2018, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment property which has been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Company has not applied the following new and revised HKFRSs that have been issued but are not yet effective in the Historical Financial Information.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS3, HKFRS11, HKAS12 and HKAS23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The Target Company is in the process of making an assessment of the impact of these new HKFRSs upon initial application. So far, the Target Company considers that these new HKFRSs are unlikely to have a significant impact on the Target Company's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Target Company measures its investment property at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

   (i) has control or joint control over the Target Company;

   (ii) has significant influence over the Target Company; or

   (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Investment property

An investment property is an interest in land and building (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of an investment property is included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value either through other comprehensive income or through profit or loss and financial assets at amortised cost. The Target Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of debt instruments

Financial asset at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Target Company's financial assets at amortised cost includes trade receivables, financial assets included in prepayments, deposits and other receivables, and cash and cash equivalents.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

HKFRS 9 requires the Target Company to record an allowance for expected credit losses ("**ECL**") on financial assets measured at amortised cost and contract assets as defined in HKFRS 15.

The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the asset's original EIR.

The Target Company applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL, trade receivables have been grouped based on shared credit risk characteristics and/or the historical observed default rates adjusted by forward-looking estimates. At the end of each of the Relevant Periods, the trade receivables were within the credit period of 30 days. The Director of the Target Company considered that the lifetime ECL allowance for trade receivables is insignificant at each of the Relevant Periods.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

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

The Target Company's financial liabilities include trade payables, accruals and other payables, loans from a related party and a shareholder, and interest-bearing bank borrowings.

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at banks that are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Revenue from contracts with customers

Revenue is recognised when or as the control of the goods or services is transferred to the customer, on the following basis:

(a) rental income is recognised on a time proportion basis over the lease terms; and

(b) building management fee income, when the relevant services have been rendered.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Company's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Target Company's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Operating lease commitments – as lessor

The Target Company has entered into commercial property leases on its investment property. The Target Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of this property which are leased out on operating leases.

Estimation uncertainty

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

Estimation of fair value of investment property

Investment property was revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Target Company considers information from current prices/rental value in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the aggregate of the value of services rendered and rental income received and receivable from an investment property during the Relevant Periods.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue					
Rental income	–	–	1,195	459	1,225
Building management fee income	–	–	128	54	70
	–	–	1,323	513	1,295
Other income and gains					
Foreign exchange differences, net	–	–	9	4	–

5. PROFIT/(LOSS) BEFORE TAX

The Target Company's profit/(loss) before tax is arrived at after charging:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Direct operating expenses arising from a rental-earning investment property	–	241	1,316	475	811
Director's remuneration *(note 7)*	–	–	–	–	–
Auditor's remuneration	23	23	23	–	–

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on bank borrowings	2,086	3,381	3,205	1,587	1,424
Interest on a loan from a related party	955	753	226	226	–
	3,041	4,134	3,431	1,813	1,424
Less: Interest capitalised	(3,041)	(2,618)	–	–	–
	–	1,516	3,431	1,813	1,424

7. DIRECTOR'S REMUNERATION

The Director did not receive any fees or emoluments in respect of his services rendered to the Target Company during the Relevant Periods.

8. INCOME TAX

No provision for Hong Kong profits tax has been provided for the Relevant Periods and the six months ended 30 September 2017 as the Target Company did not generate any assessable profits arising in Hong Kong.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate to the tax expense/(credit) at the effective tax rate is as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(loss) before tax	2,657	53,835	9,680	9,123	(915)
Tax at the Hong Kong statutory tax rate of 16.5%	438	8,883	1,597	1,505	(151)
Income not subject to tax	(455)	(9,188)	(2,294)	(1,816)	(103)
Expenses not deductible for tax	17	305	–	–	–
Others	–	–	340	311	254
Tax credit at the Target Company's effective tax rate	–	–	(357)	–	–

9. DIVIDENDS

No dividend has been paid or declared by the Target Company during the Relevant Periods.

10. INVESTMENT PROPERTY

	Under construction *HK$’000*	Completed *HK$’000*	Total *HK$’000*
Carrying amount at 1 April 2015	121,000	–	121,000
Additions	109,241	–	109,241
Gain from a fair value adjustment	2,759	–	2,759
Carrying amount at 31 March 2016 and 1 April 2016	233,000	–	233,000
Additions	48,318	–	48,318
Gain from a fair value adjustment	55,682	–	55,682
Transfer	(337,000)	337,000	–
Carrying amount at 31 March 2017 and 1 April 2017	–	337,000	337,000
Additions	–	108	108
Gain from a fair value adjustment	–	13,892	13,892
Carrying amount at 31 March 2018 and 1 April 2018	–	351,000	351,000
Additions	–	8,373	8,373
Gain from a fair value adjustment	–	627	627
Carrying amount at 30 September 2018	–	360,000	360,000

The Target Company’s investment property consists of a commercial property in Hong Kong and the construction was completed during the year ended 31 March 2017. The investment property was revalued on 31 March 2016, 2017 and 2018, and 30 September 2018 by Jones Lang LaSalle Limited (“**JLL**”), independent professionally qualified valuer, at HK$233,000,000, HK$337,000,000, HK$351,000,000 and HK$360,000,000, respectively. Selection criteria of external valuer include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with JLL on the valuation assumptions and valuation results when the valuations were performed.

The Target Company’s investment property with a carrying value of HK$233,000,000, HK$337,000,000, HK$351,000,000 and HK$360,000,000 as at 31 March 2016, 2017 and 2018, and 30 September 2018, respectively, and the rental income generated therefrom was pledged to secure a general banking facility granted to the Target Company (note 17).

The investment property is leased to related parties and third parties under an operating lease, further summary details of which are included in notes 22 and 23 to the Historical Financial Information, respectively.

For each of the Relevant Periods, the fair value measurements of the investment property of the Target Company were categorised within level 3 of the fair value hierarchy and details of their measurements are disclosed above.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

	Valuation techniques	Significant unobservable inputs	Range or Weighted average
31 March 2016			
Commercial property under construction	Residual approach	Gross development value (per square foot)	HK$11,289
		Estimated construction cost (per square foot)	HK$2,885
31 March 2017			
Commercial property	Income capitalisation method	Estimated rental value per square foot and per month (HK$)	HK$30 – HK$56
		Term and reversionary yield	2.1%
31 March 2018			
Commercial property	Income capitalisation method	Estimated rental value per square foot and per month (HK$)	HK$31 – HK$58
		Term and reversionary yield	2.1%
30 September 2018			
Commercial property	Income capitalisation method	Estimated rental value per square foot and per month (HK$)	HK$32 – HK$59
		Term and reversionary yield	2.1%

Residual approach

As at 31 March 2016, under the residual approach, fair value of investment property under construction was estimated on the basis of the gross development value of the investment property by reference to its development potential after deducting various costs, such as construction costs, contingency costs, finance costs and professional fees that will be expended to complete the development as well as the developer's profit to reflect the risks associated with the development of the investment property and the quality of the completed development.

The gross development value is arrived at by making reference to the sales transactions or asking price evidences of comparable properties as available in the market with adjustments made to account for any differences and where appropriate.

The key inputs were the gross development value and estimated construction costs. A significant increase/decrease in the gross development value in isolation would result in a significant increase/decrease in the fair value of the investment property and a significant increase/decrease in the estimated construction costs in isolation would result in a significant decrease/increase in the fair value of the investment property under construction.

Income capitalisation method

As at 31 March 2017 and 2018 and 30 September 2018, the valuations of a completed investment property were based on the income capitalisation method which capitalises the rent receivables from the existing tenancy and potential reversionary market rent of the property or direct comparison method by reference to comparable market transactions.

A significant increase/decrease in estimated rental value per square foot per month in isolation would result in a significantly higher/lower in the fair value of the investment property. A significant increase/decrease in the reversionary yield in isolation would result in a significantly lower/higher in the fair value of the investment property.

Generally, a change in the assumption made for the estimated rental value per square foot is accompanied by a directionally opposite change in the reversionary yield.

11. TRADE RECEIVABLES

The Target Company's trade receivables arise from leasing of investment property and provision of building management services. The credit period granted to each customer is 30 days. The Target Company generally grants a rent-free period ranged from one to two months to the lessees of the Target Company's investment property.

The Target Company seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

Trade receivables are non-interest-bearing. In view of the aforementioned and that the trade receivables of the Target Company relate to a number of diversified customers, there is no significant concentration of credit risk. The carrying amounts of trade receivables approximate to their fair values.

Based on the invoice date, all trade receivables as at the end of the Relevant Periods are less than 30 days.

An ageing analysis of the trade receivables that are not considered to be impairment is as follow:

		31 March		**30 September**
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impairment	–	–	108	318

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

As at 31 March 2018 and 30 September 2018, included in the Target Company's trade receivables are amounts due from related companies aggregating to HK$71,000 and HK$71,000, respectively. These receivables are repayable on credit terms similar to those offered to the major customers of the Target Company.

The Target Company applies the simplified approach for the provision of expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit loss rate for the Target Company's trade receivable is minimal for all the above trade receivables.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 March		**30 September**
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	430	75	78	156
Deposits and other receivables	337	351	322	801
	767	426	400	957

The balances are neither past due nor impaired and relates to receivables for which there was no recent history of default. The carrying amount of other receivables approximate to their fair values.

The deposits and other receivables were considered to be of low credit risk, and thus the impairment provision recognised as at the end of each of the Relevant Periods was limited to 12-month expected credit losses. Management considered that no provision for impairment of deposits and other receivables is necessary as at the end of each of the Relevant Periods.

13. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Company, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amount of the cash and cash equivalents approximate to its fair values.

14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

		31 March		30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	–	66	75	76
31 to 90 days	–	126	76	152
Over 90 days	–	–	–	76
	–	192	151	304

Trade payables are non-interest-bearing and have credit periods of 30 days.

15. ACCRUALS AND OTHER PAYABLES

Other payables are non-interest-bearing. The carrying amounts of the Target Company's accruals and other payables approximate to their fair values.

		31 March		30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	978	960	495	1,257
Other payables	12,680	29,459	5,660	14,313
	13,658	30,419	6,155	15,570
Less: Rental deposits classified as non-current liabilities	–	(126)	(184)	(331)
Current portion	13,658	30,293	5,971	15,239

As at 31 March 2016, 2017 and 2018 and 30 September 2018, included in the Target Company's other payables are amounts due to the related companies aggregating to HK$12,680,000, HK$27,597,000, HK$3,262,000 and HK$11,548,000, respectively. These payables are repayable at terms mutually agreed between the Target Company and the related parties.

16. LOAN FROM A RELATED COMPANY

The balance represented a loan drawn from a loan facility granted by a company which is controlled by Mr. Cheung. The loan is unsecured, bears interest at rates ranging from HIBOR+1.5% to HIBOR+2.75% and is repayable on demand.

17. INTEREST-BEARING BANK BORROWING

		31 March		30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current:				
Bank borrowing – secured	116,160	142,000	137,670	133,672
Analysed into:				
Bank borrowing repayable:				
Within one year or on demand *(note a)*	116,160	142,000	137,670	133,672

At the end of each of the Relevant Periods, the maturity profile of interest-bearing bank borrowing based on the scheduled repayment dates set out in the loan agreement is as follow:

		31 March		30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowing repayable:				
Within one year	116,160	142,000	8,047	8,264
In the second year	–	–	8,122	8,338
In the third to fifth years	–	–	25,613	26,169
Beyond five year	–	–	95,888	90,901
	116,160	142,000	137,670	133,672

Notes:

(a) The bank borrowing of HK$137,670,000 and HK$133,672,000 as at 31 March 2018 and 30 September 2018, respectively, containing an on-demand clause has been classified as current liabilities. For the purpose of the above analysis, the bank borrowing is included within current interest-bearing bank borrowing repayable within one year or on demand.

(b) As at 31 March 2016, the secured bank loan of HK$116,160,000 bears interest of HIBOR+2.1% and is repayable in 2017.

(c) As at 31 March 2017, the secured bank loan of HK$142,000,000 bears interest of HIBOR+2.1% and is repayable in 2018.

(d) As at 31 March 2018 and 30 September 2018, the secured bank loan of HK$137,670,000 and HK$133,672,000, respectively, bears interest at the lower of HIBOR+1.5% or 2.75% below Hong Kong dollar prime rate per annum and is repayable by 180 monthly equal installments commencing on October 2017 and repayable in 2032.

(e) The bank borrowing is secured by the Target Company's investment property (note 10) and is guaranteed by the director and a related company controlled by Mr. Cheung.

(f) The carrying amount of the bank borrowing approximates to its fair value.

(g) The carrying amount of the bank borrowing as at the end of each of the Relevant Periods is denominated in Hong Kong dollars.

18. LOAN FROM A SHAREHOLDER

The balance is unsecured, interest-free and has no fixed term of repayment.

19. DEFERRED TAX

The movements in deferred tax liability and asset during the Relevant Periods are as follows:

Deferred tax liability

	Depreciation allowance in excess of related depreciation *HK$'000*
At 1 April 2015, 31 March 2016, 1 April 2016, 31 March 2017 and 1 April 2017	–
Charged to profit or loss during the year	1,065
At 31 March 2018 and 1 April 2018	1,065
Charged to profit or loss during the period	1,124
At 30 September 2018	2,189

Deferred tax asset

	Losses available for offsetting against future taxable profits *HK$'000*
At 1 April 2015, 31 March 2016, 1 April 2016, 31 March 2017 and 1 April 2017	–
Credited to profit or loss during the year	1,422
At 31 March 2018 and 1 April 2018	1,422
Credited to profit or loss during the period	1,124
At 30 September 2018	2,546

For presentation purposes, deferred tax asset and liability have been offset in the statements of financial position. The following is an analysis of the deferred tax balance of the Target Company for financial reporting purposes:

	31 March			30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net deferred tax asset recognised in the statements of financial position	–	–	357	357

The Target Company has tax losses arising in Hong Kong of HK$8,619,000 and HK$15,430,000 as at 31 March 2018 and 30 September 2018, respectively, that are available indefinitely for offsetting against future taxable profits of the Target Company. These tax losses are subject to approval of the Hong Kong Inland Revenue Department.

Deferred tax asset has been recognised in respect of tax losses of HK$8,619,000 and HK$15,430,000 as at 31 March 2018 and 30 September 2018, respectively.

20. SHARE CAPITAL

	31 March			30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issued and fully paid:				
1 ordinary share	–	–	–	–

21. CONTINGENT LIABILITIES

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

22. OPERATING LEASE ARRANGEMENT

As lessor

The Target Company leases its investment property (note 10) under an operating lease arrangement, with leases negotiated for terms of two to three years. The terms of the lease also require the tenant to pay security deposit.

At the end of each of the Relevant Periods, the Target Company had total future minimum lease receivables under non-cancellable operating lease with its tenants falling due as follows:

	31 March			30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	1,359	2,453
In the second to fifth years, inclusive	–	–	639	1,143
	–	–	1,998	3,596

23. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Company had the following transactions with related parties during the Relevant Periods and the six months ended 30 September 2018:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Transactions with companies controlled by Mr. Cheung:					
Rental income earned	–	–	756	378	378
Building management fee income earned	–	–	94	44	44
Construction costs incurred	32,596	41,853	–	–	–
Interest expense incurred	955	753	226	226	–
Repair and maintenance expense incurred	–	–	29	–	–

The above transactions were conducted at terms and conditions mutually agreed between the Target Company and the relevant parties.

(b) During the Relevant Periods, a related company controlled by Mr. Cheung has given a corporate guarantee to banks in respect of bank borrowings granted to the Target Company (note 17).

24. NOTE TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of change in cash generated from/(used in) operations

(i) As at the end of each of the Relevant Periods, construction costs of the investment property of HK$12,680,000, HK$29,459,000, HK$5,396,000 and HK$13,764,000, respectively, were accrued. These items had no cash flow impact during the Relevant Periods.

(ii) As at 31 March 2016 and 2017, interest expenses capitalised in the investment property of HK$955,000 and HK$807,000, respectively, were accrued. These items had no cash flow impact during the Relevant Periods.

(b) Change in liabilities arising from financing activities

	Interest-bearing bank borrowing *HK$'000*	Loan from a related company *HK$'000*	Loan from a shareholder *HK$'000*
At 1 April 2015	20,090	30,800	23,134
Changes from financing cash flows	96,070	1,200	3,406
As at 31 March 2016 and 1 April 2016	116,160	32,000	26,540
Changes from financing cash flows	25,840	(8,000)	9,500
As at 31 March 2017 and 1 April 2017	142,000	24,000	36,040
Changes from financing cash flows	(4,330)	(24,000)	56,202
As at 31 March 2018 and 1 April 2018	137,670	–	92,242
Changes from financing cash flows	(3,998)	–	5,185
As at 30 September 2018	133,672	–	97,427
(Unaudited) As at 1 April 2017	142,000	24,000	36,040
Changes from financing cash flows	–	(6,000)	32,202
As at 30 September 2017	142,000	18,000	68,242

25. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Target Company as at the end of each of the Relevant Periods are loans and receivables, and financial liabilities at amortised cost, respectively.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments include trade receivables, other receivables, bank balance, other payables and interest-bearing bank borrowing. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

Management meets periodically to analyse and formulate measures to manage the Target Company's exposure to financial risks, principally relating to interest rate risk and liquidity risk. The Target Company had no significant exposures to credit risk, foreign currency risk and equity price risk. Generally the Target Company employs a conservative strategy regarding its risk management.

Interest risk

The Target Company's exposure to the risk of changes in market interest rates relates primarily to the Target Company's bank borrowing which is based on lower of HIBOR and Hong Kong dollar prime rate. The Target Company mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facility regularly. The Target Company had not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 March 2016, 2017 and 2018, if the interest rate had been 50 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been decreased/increased by HK$741,000, HK$830,000 and HK$688,000, respectively, as a result of higher/lower interest expenses on interest-bearing bank borrowing and/or loan from a related company.

As at 30 September 2018, if the interest rate had been 50 basis points higher/lower, which was considered reasonably possible by management, with all variables held constant, the loss before tax for the period would have been increased/decreased by HK$668,000, as a result of higher/lower interest expenses as interest-bearing bank borrowing.

Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowing and loans from a related company and a shareholder. The Target Company also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure that it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the Target Company's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay.

	On demand or less than 1 year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2016					
Financial liabilities included in accruals and other payables	12,680	–	–	–	12,680
Loan from a related company	32,953	–	–	–	32,953
Interest-bearing bank borrowing	118,865	–	–	–	118,865
Loan from a shareholder	26,540	–	–	–	26,540
	191,038	–	–	–	191,038

	On demand or less than 1 year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2017					
Trade payables	192	–	–	–	192
Financial liabilities included in accruals and other payables	29,333	–	126	–	29,459
Loan from a related company	24,622	–	–	–	24,622
Interest-bearing bank borrowing	145,608	–	–	–	145,608
Loan from a shareholder	36,040	–	–	–	36,040
	235,795	–	126	–	235,921

	On demand or less than 1 year	1-2 years	2-5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2018					
Trade payables	151	–	–	–	151
Financial liabilities included in accruals and other payables	5,476	–	184	–	5,660
Interest-bearing bank borrowing	11,257	11,257	33,772	164,171	220,457
Loan from a shareholder	92,242	–	–	–	92,242
	109,126	11,257	33,956	164,171	318,510

	On demand or less than 1 year	1-2 years	2-5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 September 2018					
Trade payables	304	–	–	–	304
Financial liabilities included in accruals and other payables	13,982	331	–	–	14,313
Interest-bearing bank borrowing	11,074	11,074	33,223	100,591	155,962
Loan from a shareholder	97,427	–	–	–	97,427
	122,787	11,405	33,223	100,591	268,006

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to its shareholder, return capital to shareholder or issue new shares. The Target Company is not subject to any externally imposed capital requirements.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 March 2018.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") set out in below has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the proposed Acquisition on the Group's financial position as at 30 June 2018 as if the proposed Acquisition had been completed on 30 June 2018.

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 which has been extracted from the published interim report of the Group for the six months ended 30 June 2018; and (ii) the audited statement of financial position of the Target Company as at 30 September 2018 which have been extracted from the accountants' reports thereon set out in Appendix II to this circular, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the proposed Acquisition been completed on 30 June 2018. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of the Target Company, as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information

		Pro forma adjustments		
	The Group as at 30 June 2018	**The Target Company as at 30 September 2018**		**Unaudited Pro forma Enlarged Group**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	(note 1)	*(note 2)*	*(note 3)*	
Non-current Assets				
Investment Properties	4,631	360	(56)	4,935
Property, plant and equipment	34	–	–	34
Interests in joint ventures	111	–	–	111
Financial assets at fair value through other comprehensive income	60	–	–	60
Club memberships	1	–	–	1
Restricted bank deposits	138	–	–	138
	4,975	360	(56)	5,279
Current Assets				
Properties held for sale	789	–	–	789
Properties under development for sale	1,003	–	–	1,003
Debtors, deposits and prepayments	2,484	1	–	2,485
Contract assets	643	–	–	643
Amounts due from joint ventures	73	–	–	73
Amounts due from related companies	5	–	–	5
Restricted bank deposits	340	–	–	340
Bank balances, deposits and cash	1,164	1	(168)	997
	6,501	2	(168)	6,335

		Pro forma adjustments		
	The Group as at 30 June 2018	The Target Company as at 30 September 2018		Unaudited Pro forma Enlarged Group
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	(note 1)	*(note 2)*	*(note 3)*	
Current Liabilities				
Creditors and accrued charges	3,007	16	–	3,023
Contract liabilities	238	–	–	238
Amounts due to joint ventures	117	–	–	117
Amounts due to related companies	246	–	–	246
Amounts due to non-controlling shareholders of subsidiaries	5	–	–	5
Loan from a shareholder	–	97	(97)	–
Taxation payable	153	–	–	153
Bank borrowings due within one year	546	134	(12)	668
	4,312	247	(109)	4,450
Net Current Assets (Liabilities)	2,189	(245)	(59)	1,885
Total Assets Less Current Liabilities	7,164	115	(115)	7,164
Non-current Liabilities				
Bank borrowings	922	–	–	922
Senior notes	2,172	–	–	2,172
Other financial liabilities	29	–	–	29
Defined benefit liabilities	18	–	–	18
Deferred tax liabilities	408	–	–	408
	3,549	–	–	3,549
Net Assets	3,615	115	(115)	3,615

Notes to the Unaudited Pro Forma Financial Information

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as set out in the published interim report of the Company for the six months ended 30 June 2018.

2. The adjustment represents the inclusion of the assets and liabilities of the Target Company, as extracted from the audited statement of financial position of the Target Company as at 30 September 2018, as set out in Appendix II to this circular.

3. The adjustment reflects the acquisition of the entire issued share capital of the Target Company, which solely owns the Property. Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the entire issued share capital of the Target Company, and the Purchase has agreed to assume and the Vendor has agreed to assign the Sale Loan for a cash consideration of approximately HK$304 million, subject to upward or downward adjustments.

   The adjustment in connection with the Acquisition represents:

	HK$ million
Agreed price	304
Downward adjustments *(note (i))*	(136)
Adjusted Purchase Price paid	168
Sale Loan assumed	(97)
Carrying amount of identifiable net assets acquired	(115)
Partial repayment of bank loan upon Completion *(note (ii))*	(12)
Pro forma adjustment to investment properties *(note (iii))*	(56)

   (i) Pursuant to the terms of the Sale and Purchase Agreement and based on the audited statement of financial position of the Target Company as at 30 September 2018, the Consideration shall be adjusted downward by HK$136 million, which comprises (a) the outstanding amount of the bank borrowing of HK$122 million immediately after the repayment of HK$12 million upon Completion, and (b) other net current liabilities of HK$14 million.

   The Completion took place on 18 December 2018 and the Adjusted Purchase Price was fixed at HK$182 million upon Completion based on the Pro Forma Completion Accounts. The Adjusted Purchase Price shall be subject to further adjustment, if any, for any difference between the Pro Forma Completion Accounts and the Audited Completion Accounts after Completion.

   (ii) For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the consent from the bank to the change of control of the Target Company to the Purchaser in relation to the outstanding bank borrowing of the Target Company has been obtained prior to Completion. However, the loan facility was adjusted down by the bank to approximately HK$122 million.

   (iii) The excess of the Adjusted Purchase Price over the carrying amount of identifiable assets acquired and liabilities assumed, after considering the assignment of the Sale Loan, is recognised as fair value adjustment to the investment properties.

The assets acquired and liabilities assumed do not constitute a business combination as defined in Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants and therefore, the Acquisition is accounted for as asset acquisition. In such case, the Group shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The Adjusted Purchase Price shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of the proposed Acquisition upon Completion.

In accordance with Hong Kong Accounting Standard 40 "Investment Property", the investment properties acquired are initially recognised at the allocated cost of HK$304 million. Subsequent to initial recognition, investment properties are measured using the fair value model and stated at fair value at the end of the reporting period.

4. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisors, reporting accountants, valuers, and other expenses) as the Directors determined that such costs are insignificant.

5. No adjustments have been made to adjust any trading results or other transactions of the Enlarged Group subsequent to 30 June 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Enlarged Group's pro forma financial information for the purpose of inclusion in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of SOCAM Development Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SOCAM Development Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2018 and related notes as set out on pages III-1 to III-5 of the circular issued by the Company dated 28 December 2018 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-5 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of commercial building in Hong Kong through the acquisition of the entire issued share capital of Profit Point Development Limited on the Group's financial position as at 30 June 2018 as if the transactions had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2018, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 December 2018

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis on the Target Company for the financial years ended 31 March 2016, 2017, 2018, and the six months ended 30 September 2018 (the "**Relevant Periods**").

Business Overview

The Target Company is principally involved in property development and investment of a commercial building situated at No. 93, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The Property comprises 23-storey, has a total gross floor area of approximately 27,800 sq. ft.

Financial Overview

The financial information of the Target Company as extracted from its Accountants' Report is set out below:

Financial Position

Total assets of the Target Company were approximately HK$240.7 million, HK$338.8 million, HK$352.4 million and HK$362.2 million as at 31 March 2016, 2017, 2018 and 30 September 2018 respectively, comprising mainly an investment property (which represented the fair value of the Property). The increase in total assets as at 31 March 2017 was mainly due to the increase in fair value of the Property after construction works was completed during the financial year. The increase in total assets thereafter were mainly due to increase in market valuation of the Property.

As at 31 March 2016, 2017, 2018 and 30 September 2018, total liabilities of the Target Company were approximately HK$188.4 million, HK$232.7 million, HK$236.2 million and HK$247.0 million, comprising mainly bank borrowing and amounts due to shareholder and related companies. The increase in total liabilities as at 31 March 2017 were mainly due to increase in bank borrowing and amounts due to related companies for financing construction costs of the Property incurred during the year.

The net assets of the Target Company were approximately HK$52.3 million, HK$106.1 million, HK$116.2 million and HK$115.2 million as at 31 March 2016, 2017, 2018 and 30 September 2018 respectively.

Liquidity and Financial Resources and Capital Structure

As at 31 March 2016, 2017, 2018 and 30 September 2018, the Target Company maintained a balance of cash and bank of HK$6.9 million, HK$1.4 million, HK$0.5 million and HK$0.6 million respectively.

As at 31 March 2016, 2017, 2018 and 30 September 2018, the Target Company's bank borrowing amounted to HK$116.2 million, HK$142.0 million, HK$137.7 million and HK$133.7 million respectively.

All of the bank borrowings are secured, interest bearing, repayable within one year or contain a repayment on-demand clause and therefore classified as current liabilities.

As at 31 March 2016, 2017, 2018 and 30 September 2018, the Target Company recorded net current liabilities of HK$180.7 million, HK$230.7 million, HK$235.0 million and HK$244.8 million respectively. The increase in net current liabilities as at 31 March 2017 was due to increase in bank borrowings and amounts payable to related companies.

As at 31 March 2016, 2017, 2018 and 30 September 2018, the net gearing ratio of the Target Company, calculated as net bank borrowings (represented by bank borrowing, net of cash and cash equivalents) over shareholders' equity, were 209.0%, 132.5%, 118.1% and 115.5% respectively.

Business Performance and Segment Information

The Target Company operates in one single segment which is property investment. Therefore no segmental information is presented.

Revenue and operating expenses

Revenue of the Target Company represents the rental and management fee income receivable from the leasing of the completed Property. Revenue for the year ended 31 March 2018 and the six months ended 30 September 2017 and 2018 were HK$1.3 million, HK$0.5 million and HK$1.3 million respectively.

Construction works for the Property were completed in late 2016 with Occupation Permit issued by the Building Authority on 1 November 2016. Income from leasing of the Property commenced in the year ended 31 March 2018. No revenues were recorded for the years ended 31 March 2016 and 2017.

Operating expenses for the years ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2017 and 2018 were HK$0.1 million, HK$0.3 million, HK$2.1 million, HK$0.6 million and HK$1.4 million respectively. The increase in expenses for the year ended 31 March 2018 and the six months ended 30 September 2018 were mainly property expenses after the Property was completed and in operation.

Profit (loss) for the year/period

For the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2017, the Target Company recorded a net profit of HK$2.7 million, HK$53.8 million, HK$10.0 million and HK$9.1 million respectively. For the six months ended 30 September 2018, the Target Company recorded a net loss of HK$0.9 million.

The profit for the year/period were mainly attributable to increase in fair value of investment property recorded at HK$2.8 million, HK$55.7 million, HK$13.9 million, HK$11.0 million and HK$0.6 million for the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2017 and 2018 respectively. The significant increase in fair value of investment property in year ended 31 March 2017 was partly due to construction works of the Property were completed during the year, and partly due to the improving property market in Hong Kong.

In addition, before completion of construction, finance costs of the Target Company were capitalised into carrying cost of the Property. After construction of the Property was completed, finance costs were not eligible for capitalisation and amounts charged to profit or loss were HK$1.5 million, HK$3.4 million, HK$1.8 million and HK$1.4 million for the years ended 31 March 2017 and 2018 and the six months ended 30 September 2017 and 2018 respectively.

Foreign Exchange Exposure

The income from operations of the Target Company are conducted in HK$. The bank financings as well as the sources of repayment are also HK$ denominated. The Target Company had no material foreign exchange exposure.

Charge on Assets

As at 31 March 2016, 2017, 2018 and 30 September 2018, the Property had been charged by the Target Company as a security for bank loan facilities to the Target Company with outstanding loan balance in the amount of HK$116.2 million, HK$142.0 million, HK$137.7 million and HK$133.7 million respectively.

Contingent Liabilities

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

Significant investments, material acquisitions and disposals

The Target Company did not have any significant investments, material acquisitions or disposals during the Relevant Periods.

Future Plan for Material Investments or Capital Assets

The Target Company has no future plan for material investments or capital assets in the coming year.

Number and Remuneration of Employees

The Target Company has no employees during the Relevant Periods.

The following is the text of a letter and valuation certificate prepared for inclusion in this circular, received from the Jones Lang LaSalle Limited, an independent valuer, in connection with their opinion of value of the Property as at 30 September 2018.

JLL
仲量聯行

Jones Lang LaSalle Limited
Valuation Advisory Services

6/F Three Pacific Place 1 Queen's Road East Hong Kong
Company Licence No. C-003464

28 December 2018

The Board of Directors
SOCAM Development Limited
34th Floor
Shui On Centre
6-8 Harbour Road
Hong Kong

Dear Sirs

Re: Property valuation for No. 93 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong

1.0 INTRODUCTION

1.1 Instruction

We refer to the instruction from **SOCAM Development Limited** ("**the Company**") for us to prepare a market valuation of a commercial building erected on No. 93 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong ("**the Property**"), as at 30 September 2018 ("**the date of valuation**") for the purpose of inclusion in a circular to be issued by the Company for the acquisition of the entire issued share capital of Profit Point Development Limited which holds the Property.

We confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing an opinion of market value of the unencumbered leasehold property interest, subject to existing tenancies as at the date of valuation.

1.2 Basis of Valuation

Our valuation has been prepared in accordance with "HKIS Valuation Standards 2017" published by The Hong Kong Institute of Surveyors (HKIS), "International Valuation Standards 2017" published by the International Valuation Standards Council (IVSC) and "RICS Valuation — Global Standards 2017" published by the Royal Institution of Chartered Surveyors (RICS) subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Compliance with the RICS standards may be subject to monitoring under the RICS' conduct and disciplinary regulations.

Our valuation of the property interest is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as follows:

> *"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."*

The valuation presented in this report represents the 100% interest of the Property and not the shareholdings of the company holding the property interest thereof.

1.3 Valuation Assumptions

Our valuation has been made on the assumption that the owner sells the Property on the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property interest.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation that may be incurred in effecting sales or lettings. Unless otherwise stated, it is assumed that the property interest is free of legal complications and encumbrances, restrictions, outgoings and outstanding costs of an onerous nature that could affect its value.

1.4 Valuation Methodology

We have adopted the Income Capitalization Method in the course of valuation and cross-checked by the Direct Comparison method.

The Income Capitalization Method is based on the capitalization of the fully leased, current passing rental income and potential reversionary income of the property from the date of valuation at appropriate investment yield to arrive at the capital value. The prevailing market rents of the property and capitalization rate have been obtained through our analysis of the prevailing achievable rentals within the subject development and similar type of properties in the vicinity and analysis of investment sales transactions respectively.

The Direct Comparison Method is a method of valuation based on comparing the property directly with other comparable properties which recently transacted. Comparable premises are generally located in the surrounding areas or in other sub-markets which are comparable to the property. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price/rental likely to be achieved by the property under consideration.

1.5 Source of Information

We have relied to a very considerable extent on the information provided by the Company including the tenancy schedule of the Property as at 30 September 2018. We have also relied upon the information available from the Land Registry and the Buildings Department, and have accepted advice given to us on matters such as statutory notices, planning approvals, easements, tenure and particulars of occupancy. We have assumed that all information provided to us is correct.

We have not been instructed to independently verify the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should it be established subsequently that the details relating to the Property are incorrect or inadequate, we reserve the right to adjust the value reported herein.

We have not carried out on site measurements of the Property at the time of inspection to verify the correctness of the floor areas. The dimensions, measurements and areas included in the report are based on information contained in copies of documents provided to us and are therefore only approximations for reference purposes.

1.6 Measurements

All measurements are carried out in accordance with the “Code of Measuring Practice” booklet published by the HKIS. To suit the local practice, we declare our departure from the “RICS property measurement” published by RICS in May 2015. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the registered floor plans.

1.7 Title Investigation

We have not been provided with copies of the title documents relating to the property interest but we have conducted searches at the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only.

1.8 Property Inspection

We inspected the exterior and, where possible, common areas of the Property and the general locale on 18 September 2018 by our Alkan Au, Senior Director and Amy Cheng, Senior Manager. As advised by the Company, internal inspection of the Property cannot not be arranged. For the purpose of this valuation, we have assumed that the interior of the Property is kept in reasonable conditions commensurate with its age. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services.

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

1.9 Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

1.10 Report

Our valuation certificate is attached hereto.

Our valuation has been prepared in accordance with The HKIS Valuation Standards 2017, the relevant provisions in the Company Ordinance and it has complied with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited

Au Kin Keung, Alkan
BA (Hons), MHKIS, MRICS, RPS (GP), MCIREA
Senior Director
Licence No.: E-181955

Note:
Mr. Au Kin Keung, BA (Hons), MHKIS, MRICS, RPS (GP), MCIREA, is a qualified general practice surveyor and has about 25 years of experience in the valuation of properties in Hong Kong.

2.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market value as at 30 September 2018
No.93 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (“**the Property**”) The Remaining Portion of Kwun Tong Inland Lot No. 680 (KTIL680 RP)	The Property comprises a 23-storey commercial building completed in 2016 which located in Kwun Tong District. The site area of KTIL680 is approximately 2,100ft^2 (195.09m^2), including Sections A and B of KTIL680 with total site area of 521ft^2 (48.4m^2) that were surrendered to the Government. The total gross floor area and total saleable area of the Property are approximately 27,727ft^2 (2,575.91m^2) and 17,544ft^2 (1,629.88m^2) respectively. KTIL680 is held under Conditions of Sale No. UB9629 for a term of 99 years commencing on 1 July 1898 and has been extended to 30 June 2047 subject to a payment of an annual Government Rent of 3% of the rateable value of the time being of the lot.	As advised by the Company, the Property was approximately 36% leased subject to various tenancies at a total monthly rent of HK$253,470 as at the date of valuation with the latest lease expiry on 17 July 2020. Approximately 64% of the Property was vacant as at the date of valuation.	HK$360,000,000 (Hong Kong Dollars Three Hundred and Sixty Million)

Notes:

(1) As per our Land Registry search record dated 18 September 2018 (“**Land Search Record**”), the registered owner of the Property is Profit Point Development Limited.

(2) The following encumbrances have been registered against the Property as per the Land Search Record:

i. Modification Letter with plan from the Government of the Hong Kong Special Administrative Region by the Chief Estate Surveyor/Headquarters Re KTIL 680 vide Memorial No.15062501150010 dated 24 June 2015.

ii. Certificate of Compliance from the Director of Lands Department vide Memorial No. 17080402300069 dated 1 August 2017.

iii. Occupation Permit No. KN46/2016 (OP) vide Memorial No.17100902160073 dated 1 November 2016.

iv. Mortgage in favour of Nanyang Commercial Bank, Limited for all moneys vide Memorial No. 17102701320041 dated 18 October 2017.

v. Assignment of Rentals in favour of Nanyang Commercial Bank, Limited vide Memorial No. 17103001530016 dated 18 October 2017.

(3) The Property is zoned under the Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/21 dated 3 November 2017 for “Other Specified Uses (Business)”.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**"), were as follows:

(a) Long positions in the shares of the Company

Name of Director	Number of Shares: Personal interests	Family interests	Other interests	Total	Approximate % of issued Shares *(Note 1)*
Mr. Lo Hong Sui, Vincent ("**Mr. Lo**")	–	312,000 *(Note 2)*	234,381,000 *(Note 3)*	234,693,000	61.05%
Mr. Wong Yuet Leung, Frankie ("**Mr. Wong**")	3,928,000	–	–	3,928,000	1.02%

Notes:

1. Based on 384,410,164 Shares in issue at the Latest Practicable Date.

2. These Shares were beneficially owned by Ms. Loletta Chu ("**Mrs. Lo**"), the spouse of Mr. Lo. Under the SFO, Mr. Lo was deemed to be interested in such Shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 234,381,000 Shares mentioned in Note 3 below.

3. These Shares comprised 232,148,000 Shares beneficially owned by SOCL and 2,233,000 Shares held by SOFCL, an indirect wholly-owned subsidiary of SOCL. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("**Bosrich**"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries and HSBC International Trustee Limited ("**HSBC Trustee**") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such Shares under the SFO.

(b) Long positions in the shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Number of shares: Personal interests	Family interests	Other interests	Total	Approximate % of issued shares *(Note 1)*
Mr. Lo	Shui On Land Limited ("**SOL**")	–	1,849,521 *(Note 2)*	4,611,835,751 *(Note 3)*	4,613,685,272	57.22%

Notes:

1. Based on 8,062,216,324 shares of SOL in issue at the Latest Practicable Date.

2. These shares were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 4,611,835,751 shares mentioned in Note 3 below.

3. These shares were held by SOCL through its controlled corporations, comprising 1,477,888,889 shares, 675,493,996 shares, 183,503,493 shares, 29,847,937 shares, 633,333,333 shares, 908,448,322 shares, 150,000,000 shares, 323,319,781 shares and 230,000,000 shares held by Shui On Investment Company Limited ("**SOI**"), Shui On Properties Limited ("**SOP**"), Chester International Cayman Limited ("**Chester International**"), New Rainbow Investments Limited ("**NRI**"), Lanvic Limited ("**Lanvic**"), Boswell Limited ("**Boswell**"), Merchant Treasure Limited ("**Merchant Treasure**"), Doreturn Limited ("**Doreturn**") and Smart Will Investments Limited ("**Smart Will**") respectively whereas SOI, SOP, Chester International, Lanvic, Boswell, Merchant Treasure, Doreturn and Smart Will were all wholly-owned subsidiaries of SOCL. NRI was a wholly-owned subsidiary of the Company which in turn was held by SOCL and its wholly-owned subsidiary, SOFCL, as to 60.97%. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

(c) Interests in the debentures of the associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interests	Amount of debentures
Mr. Lo	Shui On Development (Holding) Limited	Trust interests *(Note 1)*	RMB50,000,000
		Family interests *(Note 2)*	RMB35,500,000
		Family interests *(Note 2)*	US$2,000,000

Notes:

1. This represents the interests in the debentures held by SOI, which was a wholly-owned subsidiary of SOCL. SOCL was held under the Bosrich Unit Trust. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries.

2. This represents the interests in the debentures held by Mrs. Lo, the spouse of Mr. Lo.

Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

At the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Enlarged Group.

Certain tenancy agreements subsist between certain members of the Group as lessees and certain subsidiaries of SOCL (being a company controlled by Mr. Lo) as lessors in respect of the leasing of certain office premises owned by the group companies of SOCL in Hong Kong and the PRC, the aggregate amount of the rental and management fees of which was approximately HK$0.7 million for the 11-month period ended 30 November 2018. Save as disclosed above, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

At the Latest Practicable Date, save as disclosed below, none of the Directors was a director or an employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Mr. Lo	SOCL	director
Mr. Wong	SOCL and SOFCL	director

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, the following Directors were considered to have interests in the business, which competed or was likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules as set out below:

(a) Mr. Lo is a director and the controlling shareholder of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment projects in the PRC.

(b) Mr. Lo is a director of Great Eagle Holdings Limited which, through its subsidiaries, engages in (among others) property development and investment, and trading of building materials in the PRC.

(c) Mr. Wong is a director of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment projects in the PRC.

As the Board is independent from the boards of directors of the aforesaid companies and the above Directors are unable to control the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of such companies.

Save as disclosed above, at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in the business, which competed or was likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

5. LITIGATION

At the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular, which were or might be material:

(a) a sale and purchase agreement dated 4 August 2017 entered into between the Company as seller and seven employees of the Group (the "**Employees**") as purchasers whereby the Employees, pursuant to an employee equity participation arrangement, agreed to acquire from the Company an aggregate of 15% share interest in Shui On Contractors Limited (which, via its subsidiaries, principally engages in the construction business in Hong Kong and Macau) for a total consideration of HK$75 million;

(b) a sale and purchase agreement (as supplemented by a supplemental agreement) dated 7 September 2017 entered into among Wealth Frame Limited (“**Wealth Frame**”, a wholly-owned subsidiary of the Company) as purchaser, the Company, Fine Ace Investments Limited (“**Fine Ace**”, a wholly-owned subsidiary of SOTAN China Real Estate I, LP (“**SOTAN Fund**”)) as seller and the limited partners of SOTAN Fund whereby Wealth Frame agreed to acquire from Fine Ace (i) 50% share interest in Cosy Rich Limited (“**Cosy Rich**”, which holds the options entitling it to acquire 90% interest in a property project known as Tianjin Veneto located in Tianjin, the PRC); and (ii) the shareholder’s loans owed by Cosy Rich to Fine Ace, for a total consideration of approximately €4.62 million;

(c) a sale and purchase agreement (as supplemented by a supplemental agreement) dated 7 September 2017 entered into among Wealth Frame as purchaser, the Company, Rosy Opportunity Limited (“**Rosy Opportunity**”, a wholly-owned subsidiary of SOTAN Fund) as seller and the limited partners of SOTAN Fund whereby Wealth Frame agreed to acquire from Rosy Opportunity (i) 50% share interest in Win Lead Holdings Limited (“**Win Lead**”, which, via a project company established in the PRC, holds a property project known as Nanjing Scenic Villa located in Nanjing, the PRC); and (ii) the shareholder’s loan owed by Win Lead to Rosy Opportunity, for a total consideration of approximately €32.04 million;

(d) supplemental guarantee restructuring deeds dated 17 October 2017 and 8 October 2018 entered into between the Company and China Cinda Asset Management Co., Ltd., Beijing Branch (“**CCAM**”) whereby CCAM agreed not to demand the fulfillment of the Company’s guarantee obligations under the corporate guarantee dated 2 April 2007 entered into by the Company in favour of the original lending bank for a loan granted to Beijing ZhongTian HongYe Real Estate Consulting Co., Ltd. (a former wholly-owned subsidiary of China Central Properties Limited, which was previously an associate of the Company and, since June 2009, has become an indirect wholly-owned subsidiary of the Company) in an outstanding principal amount of approximately RMB542 million, which was subsequently acquired by CCAM, for a period up to 18 October 2019 in consideration of the Company paying compensation fees in a total amount of RMB24 million to CCAM;

(e) a sale and purchase agreement (as supplemented by supplemental agreements) dated 14 November 2017 entered into among Main Zone Group Limited (“**Main Zone**”, a wholly-owned subsidiary of the Company) as seller, the Company as guarantor of Main Zone, Many Gain International Limited (“**Many Gain**”, a wholly-owned subsidiary of Yida China Holdings Limited (“**Yida**”)) as purchaser and Yida as guarantor of Many Gain whereby (i) Main Zone agreed to sell and procure the sale of, and Many Gain agreed to acquire, 28.20% share interest in Richcoast Group Limited (“**Richcoast**”, which, through its subsidiaries, holds 78% interest in a property project known as Dalian Tiandi located in Dalian, the PRC), the offshore loans due by certain subsidiaries of Richcoast to Main Zone and the assignable onshore debts due by certain subsidiaries of Richcoast to the Group; and (ii) Many Gain agreed to procure the repayment of the non-assignable onshore debts due by certain subsidiaries of Richcoast to the Group, for a total transaction amount of RMB1,300 million;

(f) contract notes dated 20 August 2018 entered into by the Company as purchaser with certain Shareholders as sellers for buying back a total of 100,000,000 Shares at a price of HK$2.50 per Share pursuant to the cash offer made by UBS AG Hong Kong Branch on behalf of the Company upon the terms and conditions as set out in the offer document issued by the Company on 17 July 2018; and

(g) the Sale and Purchase Agreement.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Ernst & Young	Certified Public Accountants
Jones Lang LaSalle Limited	Independent professional property valuer

Deloitte Touche Tohmatsu, Ernst & Young and Jones Lang LaSalle Limited have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters, reports and/or summary of their opinions (as the case may be) and references to their names in the form and context in which they respectively appear herein.

Deloitte Touche Tohmatsu, Ernst & Young and Jones Lang LaSalle Limited have confirmed that, at the Latest Practicable Date:

(a) they did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) they did not have any direct or indirect interest in any assets which had since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group;

(c) the report of Deloitte Touche Tohmatsu is given as of the date of this circular for incorporation herein;

(d) the report of Ernst & Young is given as of the date of this circular for incorporation herein; and

(e) the property valuation report of Jones Lang LaSalle Limited is given as of the date of this circular for incorporation herein.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office of the Company at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong for a period of 14 days from the date of this circular:

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

(b) the annual reports of the Company for the two financial years ended 31 December 2016 and 2017;

(c) the interim report of the Company for the six months ended 30 June 2018;

(d) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(e) the accountants' report on the Target Company from Ernst & Young, the text of which is set out in Appendix II to this circular;

(f) the statement of adjustments issued by Ernst & Young in relation to the accountants' report on the Target Company;

(g) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(h) the property valuation report from Jones Lang LaSalle Limited, the text of which is set out in Appendix V to this circular;

(i) the written consents referred to in the section headed "Experts' Qualifications and Consents" in this appendix; and

(j) this circular.

9. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Chan Yeuk Ho, Karen, an Associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.