THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Hanison Construction Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

興勝創建控股有限公司

HANISON CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION

All capitalised terms used in this circular have the meaning set out in the section headed "Definitions" of this circular.

A letter from the Board containing details of the Acquisition is set out on pages 5 to 15 of this circular.

The Company has obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules from the Relevant Shareholders who form a closely allied group of Shareholders and together hold more than 50% of the voting rights at a general meeting to approve the Acquisition. Accordingly, no Shareholders' meeting will be held to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

27 March 2018

CONTENTS

In this circular and the appendices to it, unless the context otherwise requires, the following terms and expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Share and the Shareholder's Loan by the Purchaser pursuant to the SPA
"Balance"	the remaining balance of the Consideration (subject to adjustment for the Net Asset Value at Completion as described under the paragraph headed "The SPA – Initial Adjustment to the Consideration", if any) to be paid by the Purchaser to the Vendor upon Completion
"Board"	the board of Directors
"Company"	Hanison Construction Holdings Limited (stock code: 896), a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms of the SPA
"Completion Accounts"	the balance sheet and profit and loss accounts of the Target Company and the balance sheet and profit and loss accounts of HK SPV up to the Completion Date setting out the Net Asset Value as at the Completion Date (but immediately prior to Completion) to be prepared in accordance with the terms of the SPA
"Completion Date"	12 April 2018, being the date on which Completion shall take place in accordance with the terms of the SPA
"Conditions Precedent"	conditions precedent to the Completion
"connected persons"	has the meaning as ascribed to it under the Listing Rules
"Consideration"	the initial consideration of HK$506,380,000 for the Acquisition, subject to upward or downward adjustments for the Net Asset Value as at Completion as described under the paragraphs headed "The SPA – Initial Adjustment to the Consideration" and "The SPA – Further Adjustment to the Consideration"
"Director(s)"	the directors of the Company

"Draft Completion Accounts"	the draft Completion Accounts to be prepared and delivered on a pro forma basis 5 business days before the Completion Date and reviewed and agreed by the Purchaser in accordance with the terms of the SPA
"Enlarged Group"	the Group as enlarged by the Acquisition
"Further Deposit"	a sum of HK$35,638,000 being the further deposit and part payment of the Consideration
"Gallant Disposal"	the disposal of 50% equity interest in Gallant Elite Enterprises Limited by the Group, details of which are set out in the circular of the Company dated 27 March 2018
"Group"	the Company and its subsidiaries
"Guarantor"	a company incorporated in Hong Kong, which is a wholly-owned subsidiary of the Vendor
"HIBOR"	the Hong Kong Interbank Offered Rate
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK SPV"	Sunny Way Properties Limited, a limited company incorporated in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Initial Deposit"	a sum of HK$15,000,000 paid by the Purchaser to the Vendor's solicitors as stakeholders on 15 January 2018
"Latest Practicable Date"	19 March 2018, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	6 April 2018 (or such other date as the Purchaser and the Vendor may agree in writing) (for the Condition Precedent in relation to completion of due diligence review over each member of the Target Group and the Property) and 12 April 2018 (or such other date as the Purchaser and the Vendor may agree in writing) (for the Conditions Precedent other than completion of due diligence review over each member of the Target Group and the Property)
"MOU"	the memorandum of understanding dated 15 January 2018 entered into between the Vendor, the Guarantor and the Purchaser relating to the possible Acquisition
"Net Asset Value"	the difference between the aggregate amount of all consolidated current assets (other than the deferred tax assets, the Property and furniture and appliances in the Property, and any other loans owed by the Vendor and/or its affiliates to any member of the Target Group) and the consolidated liabilities (other than any bank loan which shall be repaid and discharged by the Vendor on or before Completion, deferred tax liabilities and Shareholder's Loan) of the Target Company and HK SPV as at Completion, which is calculated in the manner set out in the SPA
"Pagson Disposal"	the disposal of 50% equity interest in Pagson Development Limited by the Group, details of which are set out in the circular of the Company dated 27 March 2018
"Property"	the whole block of properties located at No. 222 Hollywood Road, Hong Kong
"Purchaser"	Shining Bliss Limited, a limited company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
"Relevant Shareholders"	a closely allied group of Shareholders comprising CCM Trust (Cayman) Limited and its subsidiaries and LBJ Regents Limited which are beneficially interested in 487,702,041 and 61,022,931 shares in the Company respectively, representing in total 52.45% of the entire issued share capital of the Company as at the Latest Practicable Date

"Sale Share"	one share of the Target Company, representing the entire issued and paid-up share capital of the Target Company, free from encumbrances
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holders of shares in the Company
"Shareholder's Loan"	the unsecured interest-free loans owing by the Target Company and/or its subsidiaries to the Vendor at Completion, which shall exclude any bank loans, loans from related parties or any third parties interest, overriding interest or unwritten equities, liabilities or encumbrances. For illustrative purpose only, the outstanding amount of the Shareholder's Loan as at 31 December 2016 is HK$0
"SPA"	the formal sale and purchase agreement entered into among the Vendor, the Guarantor and the Purchaser in relation to the Acquisition on 2 March 2018
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Richway Group Holdings Limited, a limited company incorporated in the British Virgin Islands
"Target Group"	Target Company and HK SPV
"Vendor"	the corporate registered shareholder of the Sale Share, representing the entire issued and paid-up share capital of the Target Company, who agrees to sell the legal and beneficial interests of the Sale Share held by it to the Purchaser
"%"	per cent

興勝創建控股有限公司
HANISON CONSTRUCTION HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

Non-executive Directors:
Mr. Cha Mou Sing, Payson
Mr. Cha Mou Daid, Johnson

Executive Directors:
Mr. Wong Sue Toa, Stewart *(Managing Director)*
Mr. Tai Sai Ho *(General Manager)*
Mr. Lo Kai Cheong

Independent Non-executive Directors:
Mr. Chan Pak Joe
Dr. Lau Tze Yiu, Peter
Dr. Sun Tai Lun

Registered Office:
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong:
22/F., Kings Wing Plaza 1
No. 3 On Kwan Street
Shek Mun, Shatin
New Territories
Hong Kong

27 March 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION

INTRODUCTION

References are made to the announcements made by the Company on 15 January 2018, 28 February 2018 and 2 March 2018 in relation to, *inter alia*, the MOU and the SPA. On 2 March 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the SPA with the Vendor and the Guarantor in relation to the Acquisition at the aggregate Consideration of HK$506,380,000, subject to upward or downward adjustments for the Net Asset Value as at Completion Date as described under the paragraphs headed "The SPA – Initial Adjustment to the Consideration" and "The SPA – Further Adjustment to the Consideration" below.

The purpose of this circular is to provide you with further details of the SPA and the Acquisition.

THE SPA

The principal terms of the SPA are summarised as follows:

Date

2 March 2018

Parties

(a) the Purchaser

(b) the Vendor

(c) the Guarantor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor, the Guarantor and their respective ultimate beneficial owner is a third party independent of the Company and the connected persons of the Company.

Subject Matter

Pursuant to the SPA, the Purchaser conditionally agrees to purchase from the Vendor the Sale Share (representing the entire issued and paid-up share capital of the Target Company) and the Shareholder's Loan, all free from encumbrances at the aggregate Consideration of HK$506,380,000, subject to upward or downward adjustments for the Net Asset Value as at Completion Date as described under the paragraphs headed "The SPA – Initial Adjustment to the Consideration" and "The SPA – Further Adjustment to the Consideration" below.

The Target Company is an investment holding company with the sole purpose of holding the legal and beneficial interest of all issued shares of HK SPV. HK SPV is a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the Property situated at No. 222 Hollywood Road, Hong Kong.

Consideration

The Consideration shall be in the sum of HK$506,380,000, subject to upward or downward adjustments for the Net Asset Value, which shall be paid in the following manners:

(a) a sum of HK$15,000,000 being the Initial Deposit has been paid to the Vendor's solicitors as stakeholders on 15 January 2018 upon signing of the MOU;

(b) a sum of HK$35,638,000, being the Further Deposit and part payment of the Consideration, has been paid to the Vendor's solicitors as stakeholders upon signing of the SPA. The Initial Deposit and the Further Deposit are equivalent to 10% of the Consideration; and

(c) the Balance (as adjusted in accordance with the adjustment mechanism as described under the paragraph headed "The SPA – Initial Adjustment to the Consideration") shall be paid to the Vendor's solicitors upon Completion.

Initial Adjustment to the Consideration

The Vendor shall procure the preparation of the Draft Completion Accounts as at the Completion Date and deliver the same to the Purchaser before the Completion Date for review by the Purchaser. The Purchaser and the Vendor shall then subsequently in good faith attempt to mutually agree on the Draft Completion Accounts before the Completion Date. The Consideration shall accordingly be adjusted as follows:

(a) upward for such excess of the Net Asset Value as set out in the Completion Accounts if the Net Asset Value as set out in the Completion Accounts is a positive figure, provided that such upward adjustment on the Consideration, together with the upward adjustment on the Consideration made under the paragraph headed "The SPA – Further Adjustment to the Consideration" below, shall in aggregate be subject to a maximum cap of HK$20,000,000; or

(b) downward for such deficiency of the Net Asset Value as set out in the Completion Accounts if the Net Asset Value as set out in the Completion Accounts is a negative figure.

Further Adjustment to the Consideration

After Completion, the Purchaser shall instruct the auditors to audit the Completion Accounts such that the auditors will deliver to the Vendor and the Purchaser within 75 days after the Completion Date the audited Completion Accounts. If there is any difference in the Net Asset Value as calculated by reference to the Completion Accounts and the audited Completion Accounts, the Consideration shall be further adjusted as follows:

(a) upward based on the difference between the Net Asset Value as calculated by reference to the Completion Accounts and the Net Asset Value as calculated by reference to the audited Completion Accounts if the Net Asset Value as calculated by reference to the Completion Accounts is lower than the Net Asset Value as calculated by reference to the audited Completion Accounts, provided that any such further upward adjustment on the Consideration, together with the upward adjustment on the Consideration made under the paragraph headed "The SPA – Initial Adjustment to the Consideration" above, shall in aggregate be subject to a maximum cap of HK$20,000,000, and in such case, any shortfall shall be paid to the Vendor without interest and within 10 business days after the date on which the audited Completion Accounts are finalised; or

(b) downward based on the difference between the Net Asset Value as calculated by reference to the Completion Accounts and the Net Asset Value as calculated by reference to the audited Completion Accounts if the Net Asset Value as calculated by reference to the Completion Accounts is greater than the Net Asset Value as calculated by reference to the audited Completion Accounts, and in such case, any excess paid on Completion by the Purchaser shall be returned to the Purchaser without interest and within 10 business days after the date on which the audited Completion Accounts are finalised.

All costs and expenses in relation to the audit of the Completion Accounts shall be borne by the Purchaser.

The price for the assignment of the Shareholder's Loan shall be the face value of the total outstanding amount of the Shareholder's Loan as at Completion and the price for the sale of the Sale Share shall be the amount of the Consideration less the price for the assignment of the Shareholder's Loan. As at the date of the SPA and the Latest Practicable Date, the amount of the Shareholder's Loan is HK$0.

The Consideration was determined and arrived after arm's length negotiation between the Vendor and the Purchaser, having taken into account the offer prices of comparable properties in nearby locations and the face value of the Shareholder's Loan. As there is no Shareholder's Loan as at the date of the SPA and Latest Practicable Date, the Consideration was determined solely with reference to the offer prices of comparable properties in nearby locations. The Consideration will be fully funded by the internal resources of the Group, among which part of the

Consideration will be funded by 43% of the net proceeds received by the Group as a result of the Gallant Disposal and part of the Consideration will be funded by 31% of the net proceeds received by the Group as a result of the Pagson Disposal.

Guarantee

The Guarantor, being a wholly-owned subsidiary of the Vendor, agrees to guarantee unconditionally and irrevocably as primary obligor, the due observance and performance of the Vendor's agreements, obligations, commitments, undertakings, warranties and indemnities contained in and in accordance with the SPA.

Conditions Precedent

Completion is conditional upon the Conditions Precedent being fulfilled/satisfied or waived on or before the Long Stop Date. The Conditions Precedent include, among others, the following:

(a) The Vendor being the legal and beneficial owner of the Sale Share and the Shareholder's Loan free from all encumbrances and/or claims and the Target Company being the legal and beneficial owner of all issued share of HK SPV free from all encumbrances and/or claims;

(b) HK SPV being able to show and prove its title to the Property in accordance with section 13 of the Conveyance and Property Ordinance (Cap. 219) and give good title to the Property to the Purchaser in accordance with section 13A of the Conveyance and Property Ordinance (Cap. 219) and all applicable Hong Kong law;

(c) All the original licence agreements and tenancies and/or (if any) such other new and/or renew stamped tenancies and/or licences or other agreements for the use or occupancy of the Property have been delivered to the Purchaser on or before the Completion Date;

(d) The contents and figures set out in the Draft Completion Accounts are all agreed by the Vendor and the Purchaser acting reasonably;

(e) All encumbrances in the Property, the Sale Share, the share of HK SPV and the Shareholder's Loan shall be released and/or discharged on or before Completion Date;

(f) No material adverse change in the business, operation, assets, position (financial, trading or otherwise), profits or prospect and/or other matters or affairs of the Target Company, HK SPV and/or the Property (other than resulting from or in connection with fluctuation in market price or value of the Property due to market conditions) having occurred on or before the Completion;

(g) The warranties given by the Vendor remaining true, complete, accurate and not misleading in all material respects on the date of the SPA and at all times up to and including the Completion Date;

(h) All other consents, approvals, waivers and clearances which are necessary under applicable laws (including from governmental or official authorities or board approval) in connection with the execution, delivery and performance of the SPA and the consummation of the transactions as contemplated thereunder having been obtained;

(i) No applicable law or judicial decision which would prohibit, restrict or materially delay the execution, delivery or performance of the SPA and/or the consummation of the transactions as contemplated thereunder;

(j) The debts, loans or liabilities owed by the Target Company and/or any of its subsidiaries to the Vendor and/or the affiliates of the Vendor (or any of its subsidiaries) which do not form part of the Shareholder's Loan (if any) shall be fully repaid and/or settled on or before the Completion Date;

(k) All liabilities (other than the current liabilities as shown in the Completion Accounts and the Shareholder's Loan) of each member of the Target Group shall be fully discharged on or before the Completion Date;

(l) Completion of the due diligence review over each member of the Target Group and the Property and the result of which shall be to the reasonable satisfaction of the Purchaser;

(m) All compliance requirements as required under the Listing Rules and/or requested by the Stock Exchange relating to the SPA and the transactions contemplated thereunder (including the obtaining of the shareholders' approval for carrying out the transactions contemplated under the SPA in accordance with the Listing Rules) having been duly complied with by the Company; and

The Purchaser may in its absolute discretion waive either in whole or in part at any time by notice in writing to the Vendor any of the Conditions Precedent (other than the Conditions Precedent (h), (i) and (m) set out above). As at the Latest Practicable Date, none of the Conditions Precedent have been fulfilled and the Purchaser has no intention to waive any of the Conditions Precedent.

If any of the Conditions Precedent has not been fulfilled/satisfied in full or waived on or before the Long Stop Date, the SPA shall be terminated and the Vendor shall return or arrange its solicitors to return the Initial Deposit and the Further Deposit (without interest) to the Purchaser within 7 business days from the Long Stop Date.

Completion

Subject to fulfilment/satisfaction and/or waiver (as the case may be) of the Conditions Precedent, Completion shall take place on 12 April 2018 or such other date as may be agreed between the Vendor and the Purchaser in writing.

The parties agree that the sale and purchase of the Sale Share and the Shareholder's Loan together form an integral transaction and therefore are inter-conditional, i.e. all transactions for the sale and purchase of the Sale Share and the Shareholder's Loan will be subject to a single SPA and the completion of which shall take place simultaneously.

If the Vendor does not proceed to the Completion on the Completion Date where all Conditions Precedent have been satisfied in full (or waived), the Purchaser shall be entitled to elect at its absolute discretion (a) to seek against the Vendor for specific performance of its obligations under the SPA; or (b) to request the Vendor to arrange the Vendor's solicitors to return the Initial Deposit and the Further Deposit (without interest), and pay an amount which is equal to the Initial Deposit and Further Deposit to the Purchaser and/or to claim for damages for the Vendor's breach of the SPA.

If the Purchaser does not proceed to the Completion on the Completion Date where all Conditions Precedent have been satisfied in full (or waived), the Vendor shall be entitled to elect at its absolute discretion (a) to retain the Initial Deposit and the Further Deposit and/or to claim for damages for the Purchaser's breach of the SPA; or (b) to seek against the Purchaser for specific performance of its obligations under the SPA.

If, on or before Completion, the Purchaser becomes aware that any of the warranties given by the Vendor in the SPA was at the date of the SPA, or has since become, untrue or misleading or that there is a breach of the warranties given by the Vendor, and such breach is, in each case material to the transactions contemplated under the SPA as a whole which could reasonably be expected to (a) influence the decision of a purchaser for value of the Sale Share; and (b) affect the value of the Target Group, and the Vendor and/or the Guarantor shall fail to remedy the breach (if such breach is capable of being remedied) before Completion, the Purchaser may by notice in writing to the Vendor:

(i) elect to proceed to Completion, without prejudice to the right of the Purchaser to claim damages for breach of warranties given by the Vendor pursuant to the terms of the SPA; or

(ii) rescind the SPA and the Vendor shall forthwith refund or arrange the Vendor's solicitors to refund to the Purchaser all deposits and other moneys paid to the Vendor or Vendor's solicitors under the SPA, including the Initial Deposit and the Further Deposit which have been paid by the Purchaser, without interest to the Purchaser, without prejudice to the right of the Purchaser to claim damages for any breach of the Vendor prior to such recession and/or to seek for specific performance.

Pre-completion Undertakings

The Vendor has given certain customary pre-completion undertakings in relation to the state of affairs of the Target Group for agreement of similar nature and size in the SPA.

Warranties

The Vendor has given certain customary warranties in relation to the Target Group, the Property, the Sale Share and the Shareholder's Loan for agreement of similar nature and size in the SPA. A tax deed will be signed by the Vendor and the Guarantor in favour of the Purchaser on the Completion Date, pursuant to which, the Vendor undertakes to indemnity and keep indemnified the Purchaser (for itself and as trustee for the Target Group) against the amount of any and all liability for tax resulting from any event occurring on or before the Completion Date or in respect of any income, profits or gains earned, accrued or received by any member of the Target Group on or before the Completion Date.

The liability of the Purchaser for claims and breaches of the terms in the SPA shall be limited to actual losses suffered by the Vendor and shall not exceed the Consideration.

The maximum aggregate amount of liability of the Vendor for all claims under the SPA shall not exceed the Consideration.

Costs

Each party shall pay its own costs and expenses in relation to the SPA. All stamp duty (if any) payable in respect of the transfer of the Sale Share shall be borne by the Purchaser.

INFORMATION ON THE TARGET COMPANY, HK SPV AND THE PROPERTY

The Target Company is an investment holding company with the sole purpose of holding the legal and beneficial interest of all issued shares of HK SPV. HK SPV is a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the Property situated at No. 222 Hollywood Road, Hong Kong. As at the Latest Practicable Date, certain premises of the Property are leased out and accordingly the Acquisition is subject to the aforesaid existing tenancies. The rental yield of the Property for the year ended 31 December 2017 amounted to 3.82%, calculated based on the annual rental income of the Property of HK$19,344,000 and the Consideration. According to the property valuation report prepared by Colliers International (Hong Kong) Limited, an independent professional property valuer, which is set out in Appendix V to this circular, the market value of the Property as at 31 December 2017 was HK$511,000,000.

Set out below is the audited consolidated financial information of the Target Group for the year ended 31 December 2016 and year ended 31 December 2017 as extracted from the audited financial statements of the Target Group set out in Appendix II:

	For the year ended 31.12.2016 *(HK$'000)*	For the year ended 31.12.2017 *(HK$'000)*
Net profit before taxation and extraordinary items	16,788	47,980
Net profit after taxation and extraordinary items	15,407	46,028

The audited consolidated total asset value and the audited consolidated net asset value of the Target Group as at 31 December 2017, as extracted from the accountants' report on financial information of the Target Group set out in Appendix II, was approximately HK$580,601,000 and HK$234,774,000 respectively.

Upon Completion, each Target Group companies will become an indirect wholly-owned subsidiary of the Company. Accordingly, its financial results will be consolidated in the accounts of the Company.

INFORMATION ON THE COMPANY AND THE PURCHASER

The principal business activity of the Company is investment holding. Its subsidiaries are principally engaged in construction, interior and renovation works, supply and installation of building materials, property investment, property development, provision of property agency and management services and sale of health products.

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE VENDOR AND THE GUARANTOR

The Vendor is a limited company incorporated in the Cayman Islands and its principal business activity is investment.

The Guarantor is a company incorporated in Hong Kong and its principal business activities are investments and hotel operation.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

As set out in the section headed "Information on the Target Company, HK SPV and the Property", the Property will be sold to the Purchaser subject to, and with the benefit of, existing tenancies of the Property. The latest monthly rental of such tenancies is approximately HK$512,550 (exclusive of management fee, government rent and rates). Upon Completion, the Company will enjoy rental income from the Property which will have a positive effect on the earnings of the Company.

Assets and liabilities

Upon Completion, the total assets of the Company are expected to decrease by approximately HK$2,366,000 after taking into account the costs of the Acquisition which includes agency fees, legal fees and other professional fees of approximately HK$8,000,000 and the total liabilities of the Company are expected to increase by approximately HK$8,455,000 immediately after Completion, due to the consolidation of the Target Group.

For further details on the financial effects of the Acquisition, please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors undertake strategic reviews of the Company's assets from time to time with a view to maximising returns to the shareholders of the Company. The Directors consider that the Acquisition is a valuable investment opportunity for the Group. Accordingly, the Directors believe that the Acquisition will enable the Group to strengthen and enhance the property investment portfolio.

The Directors (including the independent non-executive Directors) consider that the Acquisition and the transactions contemplated under the SPA are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition exceeds 25% but below 100%, the Acquisition constitutes a major transaction for the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company has obtained written approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising CCM Trust (Cayman) Limited and its subsidiaries and LBJ Regents Limited which are beneficially interested in 487,702,041 and 61,022,931 shares in the Company respectively, representing in total 52.45% of the entire issued share capital of the Company as at the Latest Practicable Date. CCM Trust (Cayman) Limited and LBJ Regents Limited hold shares in the Company as the trustees of certain but not identical discretionary trusts of which members of the Cha Family (comprising, inter alios, Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, being the Directors) are among the discretionary objects. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder of the Company has any material interest in the Acquisition and is required to abstain from voting if the Company is to convene an extraordinary general meeting for the approval of the Acquisition. As such, no extraordinary general meeting will be convened for the purpose of approving 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
Wong Sue Toa, Stewart
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 March 2015, 2016 and 2017 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 are disclosed in the annual reports and interim report of the Company in respect of the same year dated 23 June 2015 (pages 108-241), 8 June 2016 (pages 109-248), 13 June 2017 (pages 124-284) and same period dated 14 November 2017 (pages 37-92), respectively, which have been published on the website of the Company (www.hanison.com.hk) and the website of the Stock Exchange (www.hkexnews.hk), and which can be accessed by the direct hyperlinks below:

(1) annual report of the Company for the year ended 31 March 2015 dated 23 June 2015 (pages 108-241):
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0727/LTN20150727073.pdf

(2) annual report of the Company for the year ended 31 March 2016 dated 8 June 2016 (pages 109-248):
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0722/LTN20160722291.pdf

(3) annual report of the Company for the year ended 31 March 2017 dated 13 June 2017 (pages 124-284):
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0720/LTN20170720618.pdf

(4) interim report of the Company for the six months ended 30 September 2017 dated 14 November 2017 (pages 37-92):
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/1220/LTN20171220133.pdf

2. WORKING CAPITAL

After taking into account the available facilities from banks, the Enlarged Group's internally generated funds and cash flows impact of the Acquisition, in the absence of unforeseeable circumstances, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 January 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had bank loans of approximately HK$1,276,037,000 of which (a) bank loans of approximately HK$1,176,037,000 were secured by certain leasehold land and buildings and investment properties of the Enlarged Group; and (b) bank loans of HK$100,000,000 were unsecured. Bank loans of approximately HK$940,597,000 were guaranteed by one of the Company's subsidiaries. The director of the Target Company provided guarantee amounting to HK$352,000,000 and a fellow subsidiary of the Target Company provided guarantee amounting to HK$352,000,000, respectively, for the banking facilities granted to the Target Group. The interest rates for secured bank loans range from HIBOR or relevant bank's cost of funding plus 0.9% to HIBOR plus 2.35%. The interest rate for the unsecured bank loans is HIBOR plus 0.75%.

As at 31 January 2018, the Enlarged Group had an outstanding corporate guarantee provided to a bank to secure banking facilities granted to a joint venture of approximately HK$67,125,000, which represents the Enlarged Group's proportionate share of the bank loan by the joint venture as at 31 January 2018. The interest rate for the banking facilities granted to the joint venture is HIBOR plus 2.5%.

As at 31 January 2018, the Enlarged Group had an outstanding counter indemnity in favour of the partners of a joint venture amounting to HK$62,000,000 which represents the Enlarged Group's maximum liability. This maximum liability was determined among the parties to the counter indemnity with reference to the Enlarged Group's proportionate share of estimated amount of interest payment under the banking facilities granted to the joint venture and the cost overrun in respect of the renovation, management and marketing and leasing of the property held by the joint venture.

As at 31 January 2018, the Enlarged Group had outstanding performance bonds in respect of construction contracts amounting to approximately HK$222,992,000. The interest rates for the outstanding performance bonds range from 0.625% to 2% per annum.

As at 31 January 2018, the Enlarged Group is the defendant of the following legal cases, in which the Directors are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained.

During the year ended 31 March 2004, legal actions in respect of allegations of copyright infringement and defamation were taken against certain subsidiaries of the Company carrying on its health products business. No further steps have been taken against the Enlarged Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements took place in 2004. As at 31 January 2018, the litigation is still ongoing and there is no further update to the case.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 January 2018, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

During the six months ended 30 September 2017, the unaudited consolidated turnover was HK$1,350,468,000 (for the six months ended 30 September 2016: HK$1,529,075,000) and unaudited consolidated net profits after tax was HK$101,134,000 (for the six months ended 30 September 2016: HK$72,446,000).

The Group has been pursuing business opportunities to diversify its business into construction, interior and renovation works, supply and installation of building materials, property investment, property development, provision of property agency and management services and sales of health products over the years. The Group is continuously exploring investment opportunities to broaden the Group's revenue stream and enhance its profitability. The Company will, from time to time, assess the performance and prospects of each of its existing business and may consider adjusting its business portfolio including but not limited to further investment and/or realisations, when opportunity arises to strive for the best interest of the Group and the Shareholders.

In respect of the Group's property investment and property development segments, during the year, apart from the Acquisition, the Group entered into conditional agreements for (i) the disposal of 50% interest of a property holding company holding a property known as "SUCCESS CENTRE" in Kwai Chung; (ii) the disposal of 50% interest of a property holding company and formation of joint venture for the redevelopment of a property in Cheung Sha Wan; and (iii) the acquisition of 50% interest of a property holding company and formation of joint venture for the redevelopment of a property known as "Central Industrial Building" in Kwai Chung. Details of the disposal and acquisitions are set out in the announcements of the Company dated 23 December 2017, 17 January 2018, 1 February 2018, 21 February 2018 and 28 February 2018.

6. ACQUISITIONS AFTER 31 MARCH 2017 BEING THE DATE TO WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP WERE MADE UP

After 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, the Group has acquired or proposed to acquire the following interests in the share capital of various companies:

(a) the entire issued and paid-up share capital of Waller Holdings Limited and the related shareholder's loan at an aggregate consideration of approximately HK$145,395,000 which was satisfied in cash. Waller Holdings Limited is an investment holding company with the sole purpose of holding the legal and beneficial interest of entire issued share of Rich Victory (Hong Kong) Limited. Rich Victory (Hong Kong) Limited is a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the properties situated at 20/F., and Car Parking Space Nos. P50 and P51 on Basement Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shatin, New Territories. Further details of the acquisitions are set out in the announcements of the Company dated 17 May 2017, 30 June 2017, 7 July 2017 and 13 July 2017;

(b) the entire issued and paid-up share capital of Faithful Sun Limited and the related shareholder's loan at an aggregate consideration of approximately HK$149,878,000 which was satisfied in cash. Faithful Sun Limited is a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the properties situated at 22/F., and Car Parking Space Nos. P44, P45 and P46 on Basement Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shatin, New Territories. Further details of the acquisitions are set out in the announcements of the Company dated 17 May 2017, 30 June 2017, 7 July 2017 and 13 July 2017;

(c) the entire issued and paid-up share capital of Ultimate Elite Investments Limited and the related shareholder's loan at an aggregate consideration of approximately HK$149,729,000 which was satisfied in cash. Ultimate Elite Investments Limited is an investment holding company with the sole purpose of holding the legal and beneficial interest of all issued shares of Vision Smart Limited. Vision Smart Limited is a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the properties situated at 21/F., and Car Parking Space Nos. P47, P48 and P49 on Basement Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shatin, New Territories. Further details of the acquisitions are set out in the announcements of the Company dated 1 June 2017, 17 July 2017 and 31 July 2017;

(d) the acquisition of a property situated at Nos. 99/101 Lai Chi Kok Road, Kowloon, Hong Kong at a purchase price of HK$166,380,000 which was satisfied in cash. Further details of the acquisition are set out in the announcement of the Company dated 20 June 2017; and

(e) the Sale Share.

Save as disclosed above, no business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Company was acquired, agreed to be acquired or proposed to be acquired by the Group after 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the above acquisitions.

The following is the text of the accountants' report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Target Group, prepared for the purpose of inclusion in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF RICHWAY GROUP HOLDINGS LIMITED AND ITS SUBSIDIARY

TO THE DIRECTORS OF HANISON CONSTRUCTION HOLDINGS LIMITED

Introduction

We report on the historical financial information of Richway Group Holdings Limited (the "Target Company") and its subsidiary (together, the "Target Group") set out on pages II – 4 to II – 45, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2015, 31 December 2016 and 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2017 (the "Relevant Periods") 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 – 45 forms an integral part of this report, which has been prepared for inclusion in the circular of Hanison Construction Holdings Limited (the "Company") dated 27 March 2018 (the "Circular") in connection with the acquisition of the entire issued and paid-up share capital of and shareholder's loan to the Target Company.

Directors' responsibility for the Historical Financial Information

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

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2015, 31 December 2016 and 31 December 2017, and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2018

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

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

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Hong Kong dollars (“HK$”), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*6*	11,400	15,900	19,344
Direct costs		(98)	(115)	(95)
Gross profit		11,302	15,785	19,249
Other income		–	15	–
Gain on change in fair value of investment properties		8,836	7,706	34,830
(Loss) gain on change in fair value of derivative financial instruments		(1,972)	(784)	33
Administrative expenses		(489)	(275)	(290)
Finance costs	*7*	(5,830)	(5,659)	(5,842)
Profit before taxation	*8*	11,847	16,788	47,980
Taxation	*9*	(644)	(1,381)	(1,952)
Profit and total comprehensive income for the year		11,203	15,407	46,028

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	*12*	468,000	476,000	511,000
Plant and equipment	*13*	132	331	369
		468,132	476,331	511,369
Current assets				
Deposits and prepayments	*14*	319	200	246
Amount due from a fellow subsidiary	*15*	24,070	13,044	68,783
Bank balances and cash	*16*	161	72	203
		24,550	13,316	69,232
Current liabilities				
Other payables and accruals	*17*	672	418	645
Amounts due to fellow subsidiaries	*18*	321	833	1,013
Derivative financial instruments	*19*	2,347	1,636	315
Bank loans	*20*	311,526	292,156	336,044
		314,866	295,043	338,017
Net current liabilities		(290,316)	(281,727)	(268,785)
Total assets less current liabilities		177,816	194,604	242,584
Non-current liabilities				
Deferred tax liabilities	*21*	4,477	5,858	7,810
		173,339	188,746	234,774
Capital and reserve				
Share capital	*22*	–	–	–
Accumulated profits		173,339	188,746	234,774
		173,339	188,746	234,774

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Target Company		
	Share capital	**Accumulated profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	–	162,136	162,136
Profit and total comprehensive income for the year	–	11,203	11,203
At 31 December 2015 and 1 January 2016	–	173,339	173,339
Profit and total comprehensive income for the year	–	15,407	15,407
At 31 December 2016 and 1 January 2017	–	188,746	188,746
Profit and total comprehensive income for the year	–	46,028	46,028
At 31 December 2017	–	234,774	234,774

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	11,847	16,788	47,980
Adjustments for:			
Interest expense	5,830	5,659	5,842
Loss (gain) on change in fair value of derivative financial instruments	1,972	784	(33)
Gain on change in fair value of investment properties	(8,836)	(7,706)	(34,830)
Depreciation of plant and equipment	321	86	105
Operating cash flows before movements in working capital	11,134	15,611	19,064
(Increase) decrease in deposits and prepayments	(125)	119	(46)
Increase in amount due from a fellow subsidiary	(1,800)	(5,925)	(5,669)
Increase (decrease) in other payables and accruals	40	(254)	227
Cash from operations	9,249	9,551	13,576
Interest paid	(6,912)	(7,154)	(7,130)
Net cash from operating activities	2,337	2,397	6,446
Investing activities			
Advance to a fellow subsidiary	–	–	(91,200)
Repayment from a fellow subsidiary	5,460	16,951	41,130
Additions of investment properties	(164)	(294)	(170)
Purchase of plant and equipment	(36)	(285)	(143)
Net cash from (used in) investing activities	5,260	16,372	(50,383)

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Financing activities			
New bank loans raised	–	3,000	91,500
Advance from fellow subsidiaries	204	592	180
Repayment to fellow subsidiaries	(63)	(80)	–
Repayments of bank loans	(7,596)	(22,370)	(47,612)
Net cash (used in) from financing activities	(7,455)	(18,858)	44,068
Net increase (decrease) in cash and cash equivalents	142	(89)	131
Cash and cash equivalents at the beginning of the year	19	161	72
Cash and cash equivalents at the end of the year, representing bank balances and cash	161	72	203

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General

Richway Group Holdings Limited (the "Target Company") is incorporated in the British Virgin Islands (the "BVI") with limited liability on 2 December 2009. Its immediate holding company is S. Sundar and Sons Limited, a company incorporated in the Cayman Islands, and its ultimate holding company is Info Wise Property Limited, a company incorporated in the BVI.

The address of the registered office of the Target Company is Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, the British Virgin Islands, VG11110 and the principal place of business of the Target Company is 15/F, Universal Trade Centre, 3 Arbuthnot Road, Central, Hong Kong.

The Target Company is an investment holding company and its subsidiary is engaged in property investment.

2. Basis of preparation of the Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conforms with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

In preparing the Historical Financial Information, the director of the Target Company has given consideration to the future liquidity of the Target Group in light of the fact that the current liabilities exceeds the current assets by HK$290,316,000, HK$281,727,000 and HK$268,785,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

The Historical Financial Information has been prepared on a going concern basis. The director of the Target Company is satisfied that the Target Group will be able to obtain sufficient funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration of the fair value of the investment properties of the Target Group of HK$511,000,000 as at 31 December 2017. Moreover, upon completion of the acquisition of the entire issued and paid-up share capital of and shareholder's loan to the Target Company by Shinning Bliss Limited, an indirectly wholly owned subsidiary of Hanison Construction Holdings Limited (the "Company") (the "Acquisition"), the Company will provide financial support to the Target Company to meet in full its financial obligations as they fall due in the foreseeable future. The director of the Target Company is therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information of the Target Company has been prepared for inclusion in the Circular of the Company in connection with the proposed Acquisition.

3. Application of Hong Kong Financial Reporting Standards

For the purpose of preparing the Historical Financial Information, the Target Company has consistently applied the HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

The Target Group has not early applied the following new and amendments to HKFRSs and interpretations (the "new and revised HKFRSs") that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers (and the related amendments)[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 – 2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective for annual periods beginning on or after 1 January 2019.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

Except for the new HKFRSs mentioned below, the director of the Target Company anticipates that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Target Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Target Group's financial instruments and risk management policies as at 31 December 2017, the director of the Target Company anticipates the following potential impact on initial application of HKFRS 9:

Classification and measurement

Debt instruments classified as loans and receivables carried at amortised cost as disclosed in note 15: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In the opinion of the director of the Target Company, based on the historical experience of the Target Group, the default rate of the outstanding balance with a fellow subsidiary is low. Hence, the director of the Target Company anticipates that the application of the expected credit loss model of HKFRS 9 would not have material impact on the Target Group's future consolidated financial statements.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The director of the Target Company anticipates that the application of HKFRS 15 in the future may result in more disclosure, however, the director of the Target Company does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

4. Significant accounting policies

The Historical Financial Information has been prepared on the historical cost basis, except for investment properties and derivative financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and an entity controlled by the Target Company. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Company obtains control over the subsidiary and ceases when the Target Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss from the date the Target Company gains control until the date when the Target Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Target Company's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Company are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Target Group and when specific criteria have been met for each of the Target Group's activities, as described below.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Target Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Target Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a fellow subsidiary and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amount due from a fellow subsidiary, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amount due from a fellow subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the impairment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fee and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including other payables, amounts due to fellow subsidiaries and bank loans are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sale and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purpose of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. Critical accounting judgement and key source of estimation uncertainty

In the application of the Target Group's accounting policies, which are described in note 4, the director of the Target Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations, that the director of the Target Company has made in the process of applying the Target Group's accounting policies and that have the significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

For the purpose of measuring deferred tax arising from investment properties that are measured using the fair value model, the director of the Target Company has reviewed the Target Group's investment property and concluded that the Target Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Target Group's deferred taxation on investment properties, the director of the Target Company has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Target Group has not recognised any deferred tax on changes in fair value of investment properties as the Target Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key source of estimation uncertainty

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

Fair value of investment properties

Investment properties are carried in the consolidated statements of financial position at 31 December 2015, 31 December 2016 and 31 December 2017 at their fair value of HK$468,000,000, HK$476,000,000 and HK$511,000,000 (note 12) based on valuation of these properties conducted by Colliers International (Hong Kong) Limited ("Colliers"), an independent property valuer. In determining the fair values of the Target Group's investment properties, the valuer applied a market value basis which involves, inter-alia, significant unobservable inputs, including appropriate market rent and capitalisation rate.

6. Revenue and segment information

The Target Group's revenue is solely derived from rental income from the investment properties for the Relevant Periods.

The Target Group is engaged in a single operating segment focusing on the property investment. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the director of the Target Company, being the chief operating decision maker, for the purpose of result allocation and performance assessment. Therefore, no further analysis of segment information is presented.

The Target Group's revenue and non-current asset are all derived from and located in Hong Kong.

All revenue of the Target Group for the Relevant Periods are derived from a single customer.

7. Finance costs

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Interests on bank loans	5,830	5,659	5,842

8. Profit before taxaton

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging:			
Director's remuneration	–	–	–
Auditor's remuneration	18	20	35
Depreciation of plant and equipment	321	86	105

Note: No staff costs were incurred by the Target Group for each of the three years ended 31 December 2017.

9. Taxation

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax charge *(note 21)*	644	1,381	1,952

Hong Kong Profits Tax is provided at 16.5% on the assessable profits for the Relevant Periods.

No provision for Hong Kong Profits Tax for the year ended 31 December 2015 has been made as the Target Group had no assessable profits.

No provision for Hong Kong Profits Tax for the year ended 31 December 2016 and 31 December 2017 have been made as the assessable profits were wholly absorbed by the tax losses brought forward.

Taxation for the Relevant Periods can be reconciled to the profit for the year per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	11,847	16,788	47,980
Tax at the applicable income tax rate of 16.5%	1,955	2,770	7,917
Tax effect of income not taxable for tax purpose	(1,458)	(1,389)	(5,965)
Tax effect of expenses not deductible for tax purpose	147	–	–
Taxation for the year	644	1,381	1,952

10. Dividends

No dividend was paid or proposed by the Target Company during the Relevant Periods.

11. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is considered not meaningful.

12. Investment properties

	HK$'000
FAIR VALUE	
At 1 January 2015	459,000
Additions	164
Gain on change in fair value	8,836
At 31 December 2015	468,000
Additions	294
Gain on change in fair value	7,706
At 31 December 2016	476,000
Additions	170
Gain on change in fair value	34,830
At 31 December 2017	511,000

The fair value of the Target Group's investment properties at 31 December 2015, 31 December 2016 and 31 December 2017 has been arrived at on the basis of a valuation carried out on that date by Colliers, an independent property valuer not connected with the Target Group. Colliers has appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The address of Colliers is Suite 5701, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at 31 December 2015, 31 December 2016 and 31 December 2017, the valuations of properties amounting to HK$468,000,000, HK$476,000,000 and HK$511,000,000, respectively, were arrived at by reference to the income capitalisation method, which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations.

Summary of fair value hierarchy and Level 3 fair value measurements

All of the Target Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. All investment properties of the Target Group are valued by reference to a Level 3 fair value measurement.

There are no transfers between different levels within the fair value hierarchy during the Relevant Periods.

Level 3 valuation methodologies

Below is a table which presents the significant unobservable inputs:

		Significant unobservable inputs *(note a)*	
Capitalisation approach	**Fair value**	**Capitalisation rate**	**Monthly market rent (for square foot)**
	HK$'000	*(note b)*	*(note c)*
Residential properties			
As at 31 December 2015	468,000	2.5%	HK$60 to HK$90
As at 31 December 2016	476,000	2.5%	HK$61 to HK$85
As at 31 December 2017	511,000	2.5%	HK$66 to HK$90

Notes:

(a) Fair value measurement of investment properties is positively correlated to the monthly market rent per square foot and negatively correlated to the capitalisation rate.

(b) The higher the capitalisation rate would result in the lower the fair value of investment properties.

(c) The higher the monthly market rent would result in the higher the fair value of investment properties.

13. Plant and equipment

	Furniture and fixtures *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
COST			
At 1 January 2015	1,510	166	1,676
Additions	36	–	36
At 31 December 2015	1,546	166	1,712
Additions	258	27	285
Written off	(1,422)	(18)	(1,440)
At 31 December 2016	382	175	557
Additions	112	31	143
Written off	(7)	–	(7)
At 31 December 2017	487	206	693
DEPRECIATION AND IMPAIRMENT			
At 1 January 2015	1,173	86	1,259
Provided for the year	289	32	321
At 31 December 2015	1,462	118	1,580
Provided for the year	54	32	86
Eliminated on written off	(1,422)	(18)	(1,440)
At 31 December 2016	94	132	226
Provided for the year	82	23	105
Eliminated on written off	(7)	–	(7)
At 31 December 2017	169	155	324
CARRYING VALUES			
At 31 December 2015	84	48	132
At 31 December 2016	288	43	331
At 31 December 2017	318	51	369

The above items of plant and equipment are depreciated on a straight-line basis at the following useful lives:

Furniture and fixtures	5 years
Computer equipment	5 years

14. Deposits and prepayments

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Deposits	183	187	188
Prepayments	136	13	58
	319	200	246

15. Amount due from a fellow subsidiary

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Hind Hotels and Properties Limited			
Non-trade in nature *(note a)*	22,270	5,319	55,389
Trade in nature *(note b)*	1,800	7,725	13,394
	24,070	13,044	68,783

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Maximum amounts outstanding, non-trade in nature	27,730	22,270	55,389

Notes:

(a) The amount, which is non-trade in nature, is unsecured, non-interest bearing and repayable on demand. The balance as at 1 January 2015 is HK$27,730,000. In the opinion of director of the Target Company, the amount is expected to be recovered within twelve months after the end of the reporting period and therefore, it is classified as current assets.

(b) The amount represents the rental receivable, which is trade in nature, unsecured and non-interest bearing. The property rentals are receivable in advance and due on the first calendar day of each month. The following is an ageing analysis of the rental receivable from the fellow subsidiary presented based on the revenue recognition date at the end of each reporting period:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	950	1,325	1,612
31 – 60 days	850	1,325	1,612
61 – 90 days	–	1,325	1,612
Over 90 days	–	3,750	8,558
	1,800	7,725	13,394

Included in the balance with trade in nature with aggregate carrying amount of HK$1,800,000, HK$7,725,000 and HK$13,394,000 which are past due at 31 December 2015, 31 December 2016 and 31 December 2017, respectively, for which the Target Group has not provided for impairment loss. The Target Group does not hold any collateral over these balances. Management closely monitors the credit quality of the fellow subsidiary and considers the amount due from a fellow subsidiary to be of a good credit quality based on its historical repayments.

The following is an ageing analysis of the trade receivable from a fellow subsidiary which are past due but not impaired:

	As at 31 December		
	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*
Overdue by:			
Within 30 days	950	1,325	1,612
31 – 60 days	850	1,325	1,612
61 – 90 days	–	1,325	1,612
Over 90 days	–	3,750	8,558
	1,800	7,725	13,394

16. Bank balances and cash

Bank balances and cash comprise cash held by the Target Group and short-term bank deposits with an original maturity of three months or less at an average interest rate of 0.01%, 0.01% and 0.01% per annum as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

17. Other payables and accruals

	As at 31 December		
	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*
Rental deposits received	361	118	118
Accrued charges	304	278	487
Other payables	7	22	40
	672	418	645

18. Amounts due to fellow subsidiaries

The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

19. Derivative financial instruments

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Derivatives not under hedge accounting:			
Interest rate swaps	2,347	1,636	315

Major terms of the interest rate swaps are as follows:

As at 31 December 2015

Notional amount	Designated maturity/ Date of termination	Swaps
HK$25,000,000	1 month/27 March 2018	From Hong Kong Interbank Offered Rate ("HIBOR") to 2.26% per annum
HK$25,000,000	1 month/16 April 2018	From HIBOR to 2.09% per annum
HK$30,000,000	1 month/17 October 2018	From HIBOR to 2.08% per annum

As at 31 December 2016

Notional amount	Designated maturity/ Date of termination	Swaps
HK$25,000,000	1 month/27 March 2018	From HIBOR to 2.26% per annum
HK$25,000,000	1 month/16 April 2018	From HIBOR to 2.09% per annum
HK$30,000,000	1 month/17 October 2018	From HIBOR to 2.08% per annum

As at 31 December 2017

Notional amount	**Designated maturity/ Date of termination**	**Swaps**
HK$25,000,000	1 month/27 March 2018	From HIBOR to 2.26% per annum
HK$25,000,000	1 month/16 April 2018	From HIBOR to 2.09% per annum
HK$30,000,000	1 month/17 October 2018	From HIBOR to 2.08% per annum

20. Bank loans

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Bank loans, secured *(Notes a and c)*	311,526	292,156	336,044
Less: Amount shown under current liabilities (including bank loans with repayable on demand clause)	(311,526)	(292,156)	(336,044)
Amount shown under non-current liabilities	–	–	–
The carrying amount of bank loans that contain a repayable on demand clause (shown under current liabilities) but repayable *(Note b)*			
Within one year	152,371	140,612	192,051
Within a period of more than one year but not exceeding two years	7,612	7,551	7,679
Within a period of more than two years but not exceeding five years	23,039	23,431	23,829
Within a period of more than five years	128,504	120,562	112,485
	311,526	292,156	336,044

Notes:

(a) As at 31 December 2015, 31 December 2016 and 31 December 2017, the Target Group's bank loans are floating-rate borrowings which carry interest at market rates ranging from HIBOR + 0.95% to HIBOR + 2.50% per annum, from HIBOR + 0.95% to HIBOR + 2.35% per annum and from HIBOR + 0.95% to HIBOR + 2.35% per annum, respectively, and are repayable in instalments over a period of 25 years.

(b) The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

(c) The director of the Target Company provided guarantees amounting to HK$332,010,000, HK$352,000,000 and HK$352,000,000 and a fellow subsidiary of the Target Company provided guarantees amounting to HK$332,010,000, HK$352,000,000 and HK$352,000,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively, for the banking facilities granted to the Target Group.

(d) As at 31 December 2015, 31 December 2016 and 31 December 2017, investment properties with carrying values amounting to HK$468,000,000, HK$476,000,000 and HK$511,000,000, respectively, were pledged to secure the bank loans granted to the Target Group.

21. Deferred taxation

The followings are the major deferred tax liabilities (assets) of the Target Group and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	5,044	(1,211)	3,833
Charge (credit) to profit or loss *(note 9)*	971	(327)	644
At 31 December 2015	6,015	(1,538)	4,477
Charge to profit or loss *(note 9)*	1,043	338	1,381
At 31 December 2016	7,058	(1,200)	5,858
Charge to profit or loss *(note 9)*	1,028	924	1,952
At 31 December 2017	8,086	(276)	7,810

At 31 December 2015, 31 December 2016 and 31 December 2017, the Target Group has unused tax losses of approximately HK$9,321,000, HK$7,273,000 and HK$1,671,000, respectively, available for offset against future profit. Deferred tax assets have been recognised in respect of approximately HK$9,321,000, HK$7,273,000 and HK$1,671,000, respectively, of such losses. All the unused tax losses may be carried forward indefinitely.

22. Share capital

	Number of shares	**Amount**
		US$
Authorised share capital:		
At 1 January 2015, 31 December 2015, 31 December 2016 and 31 December 2017		
– Ordinary shares of US$1 each	50,000	50,000
Issued and fully paid:		
At 1 January 2015, 31 December 2015, 31 December 2016 and 31 December 2017		
– Ordinary shares of US$1 each	1	1
		HK$'000
Shown in the Historical Financial Information as:		
At 1 January 2015, 31 December 2015, 31 December 2016 and 31 December 2017		–

23. Related party transactions

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Target Group entered into the following related party transactions:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Rental income received from a fellow subsidiary	11,400	15,900	19,344
Accountancy fee paid to a fellow subsidiary	120	120	120

Compensation of key management personnel

The key management personnel is the director of the Target Company, no remuneration had been paid to director of the Target Company by the Target Group during the Relevant Periods.

24. Capital risk management

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to its shareholders through the optimisation of the debt and equity balances. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of net debt, which includes bank loans as disclosed in note 20, net of cash and cash equivalents and equity attributable to owner of the Target Company, comprising issued share capital and accumulated profits.

The director of the Target Company reviews the capital structure on a regular basis. As part of this review, the director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director, the Target Group will balance its overall capital structure through the payment of dividends as well as the issue of new debts and the redemption of existing debt.

25. Financial instruments

Categories of financial instruments

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables			
(including cash and cash equivalents)	24,231	13,116	68,986
Financial liabilities			
At amortised cost	311,854	293,011	337,097
Derivative financial instruments	2,347	1,636	315

Financial risk management objectives and policies

The Target Group's major financial instruments include amount due from a fellow subsidiary, bank balances and cash, other payables, amounts due to fellow subsidiaries, derivative financial instruments and bank loans.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Group is exposed to fair value interest rate risk in relation to pay-fixed/receive-floating interest rate swaps. The Target Group is also exposed to cash flow interest rate risk in relation primarily to the Target Group's variable-rate bank loans which are linked to HIBOR and bank balances at the prevailing market deposit rate. In order to keep bank loans at fixed rate and to minimise cash flow interest rate risk, the Target Group would adopt floating to fixed interest rate swaps to manage cash flow interest rate risk exposure associated with the bank loans at floating interest rates if necessary. During the Relevant Periods, the Target Group entered into certain interest rate swaps (floating to fixed interest swaps) (note 19).

The director of the Target Company considers the Target Group's exposure of bank balances to interest rate is not significant as interest bearing bank balances are within short maturity period. The Target Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for variable-rate bank loans and pay-fixed/receive-floating interest rate swaps at the end of each reporting period. The analysis is prepared assuming amount outstanding at the end of each reporting period was outstanding for the whole year. The Target Group's sensitivity to interest rate risk at the end of each reporting period while all other variables were held constant is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
Reasonably possible change in interest rate	**50 basis points**	**50 basis points**	**50 basis points**
	HK$'000	*HK$'000*	*HK$'000*
(Decrease) increase in post-tax profit for the year			
– as a result of increase in interest rate	(477)	(727)	(1,239)
– as a result of decrease in interest rate	477	727	1,239

Credit risk

The Target Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

The Target Group's credit risk is primarily attributable to and concentrated on amount due from a fellow subsidiary. In order to minimise the credit risk, the director of the Target Company has reviewed its recoverability regularly to ensure that follow-up action is taken timely. In this regard, the director of the Target Company considers that the credit risk on the balance is significantly reduced.

The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Target Group had net current liabilities of HK$268,785,000 as at 31 December 2017. As outlined in note 2, the director of the Target Company is satisfied that the Target Group will be able to obtain sufficient funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration of the fair value of the investment properties of the Target Group of HK$511,000,000 as at 31 December 2017. Moreover, upon completion of the Acquisition, the Company will provide financial support to the Target Company to meet in full its financial obligations as they fall due in the foreseeable future.

The following table details the Target Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative 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 Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

In addition, the following table details the Target Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of each reporting period. The liquidity analysis for the Target Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate	On demand or less than 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000
As at 31 December 2015				
Non-derivative financial liabilities				
Other payables	–	7	7	7
Amounts due to fellow subsidiaries	–	321	321	321
Bank loans	1.84	311,526	311,526	311,526
		311,854	311,854	311,854
Derivatives – net settlement				
Interest rate swaps – outflow	–	2,347	2,347	2,347
As at 31 December 2016				
Non-derivative financial liabilities				
Other payables	–	22	22	22
Amount due to a fellow subsidiary	–	833	833	833
Bank loans	2.24	292,156	292,156	292,156
		293,011	293,011	293,011
Derivatives – net settlement				
Interest rate swaps – outflow	–	1,636	1,636	1,636
As at 31 December 2017				
Non-derivative financial liabilities				
Other payables	–	40	40	40
Amount due to a fellow subsidiary	–	1,013	1,013	1,013
Bank loans	2.79	336,044	336,044	336,044
		337,097	337,097	337,097
Derivatives – net settlement				
Interest rate swaps – outflow	–	315	315	315

The amounts above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of each reporting period.

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2015, 31 December 2016 and 31 December 2017, the aggregate undiscounted principal amounts of these bank loans amounted to HK$311,526,000, HK$292,156,000 and HK$336,044,000, respectively. Taking into account the Target Group's financial position, the director of the Target Company does not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The director of the Target Company believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average effective interest rate	On demand or less than 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans							
As at 31 December 2015	1.84	154,347	9,873	30,139	144,833	339,192	311,526
As at 31 December 2016	2.24	142,873	10,046	30,139	134,787	317,845	292,156
As at 31 December 2017	2.79	194,546	10,046	30,139	124,741	359,472	336,044

Fair value measurements of financial instruments

This note provides information about how the Target Group determines fair values of various financial assets and financial liabilities.

Some of the Target Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Target Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Target Group engages third party qualified valuers to perform the valuation.

Fair value of the Target Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Target Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at 31 December			Fair value hierarchy	Valuation technique(s) and key input(s)
	2015	**2016**	**2017**		
	HK$'000	*HK$'000*	*HK$'000*		
Interest rate swap contracts classified as derivative financial instruments	2,347	1,636	315	Level 2	Discounted cash flow. Future cash flow are estimated based on forward interest rates (from observable yield curves at the end of each reporting period) and contract interest rates, discounted at a rate that reflected the credit risk of various counterparties.

There were no transfer between different levels within the fair value hierarchy during the Relevant Periods.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities (except for derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The director of the Target Company considers that the carrying amounts of financial assets and financial liabilities (except for derivative financial instruments) recorded at amortised cost in the Historical Financial Information approximate their fair values.

26. Movements on liabilities arising from financing activities

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to fellow subsidiaries	**Bank loans**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 18)	*(Note 20)*	
At 1 January 2015	180	319,122	319,302
Financing cash flows *(note)*	141	(7,596)	(7,455)
At 31 December 2015	321	311,526	311,847
Financing cash flows *(note)*	512	(19,370)	(18,858)
At 31 December 2016	833	292,156	292,989
Financing cash flows *(note)*	180	43,888	44,068
At 31 December 2017	1,013	336,044	337,057

Note: The financing cash flows represented the net cash flow of new bank loans raised, repayments of bank loans, and advance from and repayment to fellow subsidiaries.

27. Particulars of a subsidiary

As at the date of this report, the Target Company has direct equity interests in the following subsidiary:

Name of the subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interests of the Target Group as at 31 December				Principal activities
				2015	2016	2017	date of this report	
Sunny Way Properties Limited	Hong Kong 23 February 2010	Hong Kong	HK$1	100%	100%	100%	100%	Property investment

Note: The subsidiary has adopted 31 December as its financial year end date. The financial statements of the subsidiary for the years ended 31 December 2015 and 31 December 2016 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Jeffrey Tsang & Co., a certified public accountant registered in Hong Kong. No statutory financial statements of the subsidiary for the year ended 31 December 2017 were issued as the financial statements have not yet been due to issue.

28. Subsequent financial statements

No audited financial statements of the Target Group, the Target Company or its subsidiary have been prepared in respect of any period subsequent to 31 December 2017 and up to the date of this report.

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), being the Company and its subsidiaries (collectively referred to as the "Group") together with Richway Group Holdings Limited (the "Target Company") and its subsidiary (collectively referred as the "Target Group"), is prepared by the directors of the Company (the "Directors") to illustrate the effect of the acquisition of the entire issued and paid-up share capital of and shareholder's loan to the Target Company (the "Acquisition"), as if the Acquisition had been completed on 30 September 2017. Details of the Acquisition are set out in the section headed "Letter from the Board" contained in this Circular.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effect of the Acquisition pursuant to the terms of the sale and purchase agreement dated 2 March 2018 (the "SPA") entered into between the Group and the equity owner of the Target Company.

The unaudited pro forma statement of assets and liabilities is prepared based on (i) the information on the unaudited statement of financial position of the Group as at 30 September 2017, which has been extracted from the published interim report of the Group for the six months ended 30 September 2017; (ii) the information on the underlying financial information of the Target Group as at 31 December 2017, which has been extracted from the accountants' report as set out in Appendix II to this circular and after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and (ii) factually supportable, as if the Acquisition had been completed on 30 September 2017. The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 September 2017 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction of the historical financial information of the Group and the Target Group, as set out in the published interim report of the Group for the six months ended 30 September 2017 and the accountants' report of the Target Group as set out in Appendix II to this Circular, respectively and other financial information included elsewhere in the Circular.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 September 2017	The Target Group as at 31 December 2017	Pro forma adjustments			Unaudited pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Investment properties	2,943,530	511,000				3,454,530
Property, plant and equipment	524,659	369				525,028
Prepaid lease payments	5,603	–				5,603
Interest in an associate	6,982	–				6,982
Interests in joint ventures	474,298	–				474,298
Deferred tax assets	492	–				492
Other asset	35,000	–				35,000
	3,990,564	511,369				4,501,933
Current assets						
Properties under development for sale	315,600	–				315,600
Properties held for sale	33,188	–				33,188
Inventories	14,087	–				14,087
Amounts receivable on contract work	74,642	–				74,642
Progress payments receivable	52,195	–				52,195
Retention money receivable	288,548	–				288,548
Debtors, deposits and prepayments	148,665	246				148,911
Prepaid lease payments	202	–				202
Amounts due from a joint venture	17	–				17
Amount due from a fellow subsidiary	–	68,783	(68,783)			–
Investments held for trading	416	–				416
Taxation receivable	2,254	–				2,254
Pledged bank deposits	139,263	–				139,263
Bank balances and cash	700,522	203		(506,184)	(8,000)	186,541
	1,769,599	69,232	(68,783)	(506,184)	(8,000)	1,255,864

	The Group as at 30 September 2017	The Target Group as at 31 December 2017	Pro forma adjustments			Unaudited pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities						
Amounts payable on contract work	468,838	–				468,838
Trade and other payables	695,583	645				696,228
Amounts due to fellow subsidiaries	–	1,013		(1,013)		–
Derivative financial instruments	–	315		(315)		–
Taxation payable	31,346	–				31,346
Bank and other loans						
– amounts due within one year	1,385,865	336,044	(68,783)	(267,261)		1,385,865
	2,581,632	338,017	(68,783)	(268,589)	–	2,582,277
Net current liabilities	(812,033)	(268,785)	–	(237,595)	(8,000)	(1,326,413)
Total assets less current liabilities	3,178,531	242,584	–	(237,595)	(8,000)	3,175,520
Non-current liability						
Deferred tax liabilities	12,459	7,810	–	–	–	20,269
	3,166,072	234,774	–	(237,595)	(8,000)	3,155,251

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The financial information of the Group as at 30 September 2017 is extracted from the published interim report of the Group for the six months ended 30 September 2017.

2. The financial information of the Target Group as at 31 December 2017 is extracted from the accountants' report on historical financial information of the Target Group for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 as set out in Appendix II to this Circular, which has been prepared in accordance with the accounting policies of the Group.

3. Pursuant to the SPA, the amount due from a fellow subsidiary of the Target Company amounting to HK$68,783,000 should be settled by the fellow subsidiary before the Completion Date. It would be used to settle part of the bank loans of the Target Group of HK$68,783,000 before the Completion Date.

4. On 2 March 2018, Shining Bliss Limited, an indirect wholly owned subsidiary of the Company, entered into the SPA with S. Sundar and Sons Limited and Hind Hotels and Properties Limited in relation to the acquisition of the entire issued and paid-up share capital of and shareholder's loan to the Target Company at a cash consideration of HK$506,380,000, subject to upward and downward adjustments. Pursuant to the SPA, the consideration should be adjusted upward for the excess of the current asset (excluding deferred tax assets, property, furniture and appliances, and amounts due from holding company and fellow subsidiaries) ("Current Assets") less current liabilities (excluding the shareholder's loan, bank loans and deferred tax liabilities) ("Current Liabilities") of Target Group at the completion date, subject to a maximum cap of

HK$20,000,000. The consideration should be adjusted downward for the deficiency of the Current Assets less Current Liabilities of the Target Group at the completion date. Therefore, for the purpose of the Unaudited Pro Forma Financial Information, the consideration of approximately HK$506,184,000, comprises of (i) cash consideration of HK$506,380,000 and (ii) downward adjustment on the deficiency of the Current Assets less Current Liabilities of the Target Group as at 31 December 2017 of approximately HK$196,000.

It is assumed that the pro forma cash consideration of HK$506,184,000 will be paid by the Group's bank balances and cash of HK$506,184,000 as the directors of the Company expect the Acquisition to be financed by the Group's internal financial resources.

The amounts due to fellow subsidiaries of the Target Group amounted to HK$1,013,000 would be waived by the fellow subsidiaries or repaid/settled by S. Sundar and Sons Limited upon or before the completion date pursuant to the SPA. In addition, the remaining bank loans amounted to HK$267,261,000 (after partial settlement by the Target Group as set out in note 3 above) should be fully discharged and repaid while the master agreement entered into between the Target Group and a bank in relation to derivative financial instruments should be terminated. The carrying value of the derivative financial instruments of HK$315,000 should be discharged at the completion date pursuant to the SPA. Accordingly, the amounts are eliminated in the pro forma adjustment.

Under Hong Kong Financial Reporting Standards ("HKFRSs"), the Acquisition of the Target Group will be accounted for as acquisition of assets and liabilities as the Target Group proposed to be acquired by the Company does not constitute a business.

The actual cash consideration payable by the Group and the actual purchase cost allocation of net assets to be acquired is subject to change and will be determined as of the date of completion and may differ materially from the amount disclosed above in the Unaudited Pro Forma Financial Information.

5. The adjustment represents acquisition-related costs (including professional fees to legal advisers, financial advisers, reporting accountants, properties valuer, agent commission and other expenses) of approximately HK$8,000,000 directly in relation to the Acquisition.

6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2017.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

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

To the Directors of Hanison Construction Holdings Limited

Introduction

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hanison Construction Holdings 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 September 2017 and related notes as set out on pages III - 1 to III - 4 of the circular issued by the Company dated 27 March 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 - 4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of the entire issued and paid-up share capital of and shareholder's loan to Richway Group Holdings Limited, on the Group's financial position as at 30 September 2017 as if the transaction had taken place at 30 September 2017. 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 September 2017, 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 transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2017 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

27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

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

Business Review

The Target Company is an investment holding company with the sole purpose of holding the legal and beneficial interest of all issued shares of HK SPV. HK SPV is a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the Property situated at No. 222 Hollywood Road, Hong Kong.

Revenue

Revenue of the Target Group for the three years ended 31 December 2015, 2016 and 2017 were as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Rental income	11,400	15,900	19,344

For the three years ended 31 December 2015, 2016 and 2017, revenue of the Target Group increased from HK$11,400,000 in 2015 to HK$19,344,000 in 2017. The significant increase in revenue was primarily due to increase in rental rate in the market.

Increase in fair value of investment properties

At the end of each reporting period, the Target Group states investment properties at fair value based on the valuation performed by an independent professional valuer.

Direct costs

Direct costs of the Target Group for the years ended 31 December 2015, 2016 and 2017 are HK$98,000, HK$115,000 and HK$95,000 respectively. It mainly comprises of insurance and repair and maintenance expenses.

Administrative expenses

Administrative expenses of the Target Group for the years ended 31 December 2015, 2016 and 2017 are HK$489,000, HK$275,000 and HK$290,000, respectively. It mainly comprises of accountancy fee, legal and professional fee and depreciation.

Finance Costs

Finance costs represents interest expenses repayable to a bank for the years ended 31 December 2015, 2016 and 2017, which were HK$5,830,000 HK$5,659,000 and HK$5,842,000 respectively.

Liquidity and Financial Resources

The Target Group generally finances its operations with the initial funding from the group companies of the Target Group, bank loans and cash flows generated internally from its operating activities. As at 31 December 2015, 2016 and 2017, the Target Group had net current liabilities of HK$290,316,000, HK$281,727,000 and HK$268,785,000 respectively. The significant net current liabilities as at 31 December 2015, 2016 and 2017 was primarily due to the bank loans.

Capital Structure

Bank loans were secured, repayable on demand and interest bearing and was HK$311,526,000, HK$292,156,000 and HK$336,044,000 as at 31 December 2015, 2016 and 2017 respectively which carry interest at market rates ranging from HIBOR plus 0.95% to HIBOR plus 2.5%, from HIBOR plus 0.95% to HIBOR plus 2.35% and from HIBOR plus 0.95% to HIBOR plus 2.35% per annum respectively.

Gearing Ratio

The gearing ratio of the Target Group, which is equal to the total liabilities over total assets as at 31 December 2015, 2016 and 2017, was approximately 64.8%, 61.5% and 59.6% respectively.

Foreign Currency Risks

The business conducted by the Target Group during the three years ended 31 December 2015, 2016 and 2017 were denominated in HK$. Therefore, the management did not consider that the Target Group was exposed to any significant foreign currency exchange risks and it had not used any financial instrument for hedging purpose during the aforesaid periods.

Capital Commitment

As at 31 December 2015, 2016 and 2017, the Target Group had no the capital commitment.

Charge of Assets

As at 31 December 2015, 2016 and 2017, the investment properties of the Target Group were pledged to secure its bank facilities. The Target Group had utilised the bank facilities and provided a non-interest bearing loan to a fellow subsidiary of the Target Group for general working capital.

Contingent Liabilities

The Target Group did not have any contingent liabilities as at 31 December 2015, 2016 and 2017.

Significant Investments, Acquisitions or Disposals

The Target Group had not acquired or disposed of any subsidiary or affiliated company during the three years ended 31 December 2015, 2016 and 2017 and it did not have any significant investments held or plan for material investments or capital assets during such periods.

Employees and Remuneration Policy

The Target Group did not have any employees as at 31 December 2015, 2016 and 2017.

The following is the text of a letter and valuation certificate, prepared for inclusion in this circular, received from an independent valuer, in connection with their opinion of value of the Property as at 31 December 2017.

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

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

The Board of Directors
Hanison Construction Holdings Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

27 March 2018

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property (the "Property') in Hong Kong to be acquired by Hanison Construction Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") for the purpose of issuing a public circular in relation to a potential transaction of the Property. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 31 December 2017 (the "Valuation Date").

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards 2017 published by the International Valuation Standards Council effective from 1 July 2017; and the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on the Main Board issued by The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

Our valuation is made on the basis of Market Value of the Property as at the Valuation Date. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

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

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

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

We have assumed that the areas shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

VALUATION METHODOLOGY

We have adopted the Income Approach in determining the Market Value of the Property. It is an approach to valuation that provides an indication of value by converting the potential incomes to a single current capital value.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

INFORMATION SOURCES

We have relied to a considerable extent on the information and documents provided by the Group, in particular but not limited to, the identification of the Property, the particulars of occupancy and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect any material information has been withheld.

TITLE INVESTIGATION

We have made enquires and relevant searches at the Hong Kong Land Registry. However, we have not searched the original documents nor verified the existence of any amendments, which do not appear in the documents available to us. All documents have been used for reference only.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar ("HKD").

The valuation certificate is attached hereto.

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

Vincent Cheung
BSc(Hons) MBA FRICS MHKIS RPS(GP) MISCM MHKSI MCIREA
Registered Real Estate Appraiser PRC
Deputy Managing Director
Valuation & Advisory Services – Asia

Note:

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

VALUATION CERTIFICATE

Property for Investment to be Acquired by the Group in Hong Kong

Property	**Description and Tenure**	**Particulars of Occupancy**	**Market Value as at 31 December 2017** *HKD*
Ovolo, No. 222 Hollywood Road, Hong Kong Lot Number: Section A and The Remaining Portion of Inland Lot No. 699	The Property is a 25-storey serviced apartment building known as Ovolo Sheung Wan located in Sheung Wan. As per the Occupation Permit No. H21/95, it was completed in about 1995. As per the approved building plans of the Property, the total gross floor area of the Property is approximately 27,414.05 square feet. The subject lot is held under Government Lease for a term of 999 years commencing from 25 June 1861.	According to the information provided by the Group, as at the Valuation Date, the Property was leased to Hind Hotels and Properties Limited, or its related company, Ovolo Group Limited with a monthly rental income of approximately HKD1,612,000 inclusive of government rent and rates but exclusive of management fee for the operation as serviced apartments.	511,000,000 (Five Hundred and Eleven Million)

Notes:

1. The Property was inspected by Vincent Cheung *MHKIS FRICS RPS(GP) MISCM MHKSI MCIREA Registered Real Estate Appraiser PRC* on 28 February 2018.

2. The valuation of the Property was prepared by Kit Cheung *MHKIS MRICS RPS(GP) MCIREA Registered Real Estate Appraiser PRC* and Vincent Cheung *MHKIS FRICS RPS(GP) MISCM MHKSI MCIREA Registered Real Estate Appraiser PRC.*

3. The details of the land search records of the Property dated 21 February 2018 are summarized below:

Item	Details
Registered Owner:	Sunny Way Properties Limited by an assignment dated 18 May 2010, registered vide Memorial No. 10060403070204
Government Rent:	HKD21.42 per annum (for Inland Lot No. 699)
Major Encumbrances:	• Occupation Permit No.H21/95 dated 22 March 1995, registered vide Memorial No. UB6252025 • Deed of Mutual Covenant and Management Agreement in favour of Wellgan Nominee Limited "The Management Company" dated 25 April 1995, registered vide Memorial No. UB6290238 • Deed of Surrender with Plan Re Sec.B of IL 699 in favour of The Crown dated 26 July 1995, registered vide Memorial No. UB6363415 • Mortgage in favour of Dah Sing Bank, Limited dated 18 May 2010, registered vide Memorial No. 10060403070219 • Rental Assignment in favour of Dah Sing Bank, Limited dated 18 May 2010, registered vide Memorial No. 10060403070227 • Memorandum on Change of Name of Building dated 13 July 2010, 6 January 2011 and 6 May 2011, registered vide Memorial Nos. 10071902880366, 11010703180049 and 11051702970168 respectively

4. The Property is situated on Section A and The Remaining Portion of Inland Lot No. 699 which is held under a Government Lease. The salient conditions are summarized below:

Item	Details
Tenure:	999 years
Site Area:	Approximately 2,430 square feet
Use:	The lot shall not be used for the trade or business of a Brazier Slaughterman Soap-maker Sugar-baker Fellmonger Melter of tallow Oilman Butcher Distiller Victualler or Tavern-keeper Blacksmith Nightman Scavenger or any other noisy noisome or offensive trade or business whatever without the previous licence.

5. The Property falls within an area zoned as "Residential (Group A)8" under Approved Sai Wing Pun & Sheung Wan Outline Zoning Plan No. S/H3/31 statutorily exhibited on 15 December 2017.

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

(a) Directors' Interests

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares held	Total number of ordinary shares held	Approximate percentage of issued share capital *(Note 6)*
Cha Mou Sing, Payson	Beneficial owner	10,974,925		
	Interest of controlled corporations	15,689,502 *(Note 1)*		
	Beneficiary of discretionary trusts	531,981,820 *(Note 2)*	558,646,247	53.39%
Cha Mou Daid, Johnson	Beneficiary of discretionary trusts	539,500,961 *(Note 2)*	539,500,961	51.56%

Name	Capacity	Number of ordinary shares held	Total number of ordinary shares held	Approximate percentage of issued share capital *(Note 6)*
Wong Sue Toa, Stewart	Beneficial owner	15,136,157		
	Interest of controlled corporation	4,270,975 *(Note 3)*		
	Interest of spouse	5,485,487 *(Note 4)*	24,892,619	2.37%
Tai Sai Ho	Beneficial owner	6,057,721	6,057,721	0.57%
Lo Kai Cheong	Beneficial owner	3,215,137		
	Interest of spouse	2,000,422 *(Note 5)*	5,215,559	0.49%
Chan Pak Joe	Beneficial owner	757,100	757,100	0.07%
Lau Tze Yiu, Peter	Beneficial owner	2,101,950	2,101,950	0.20%
Sun Tai Lun	Beneficial owner	1,005,000	1,005,000	0.09%

Notes:

(1) These shares are held by Accomplished Investments Limited and Kola Heights Limited, companies that are wholly-owned by Mr. Cha Mou Sing, Payson.

(2) These shares are held under certain but not identical discretionary trusts, of which Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson are among the members of the class of discretionary beneficiaries.

(3) Mr. Wong Sue Toa, Stewart's corporate interests in the Company arise from the fact that he owns 50% of the share capital of Executive Plaza Limited, which holds 4,270,975 shares of the Company.

(4) These shares are held by Ms. Wong Lui Kwok Wai, the wife of Mr. Wong Sue Toa, Stewart.

(5) These shares are held by Ms. Lee Kwai Lin, the wife of Mr. Lo Kai Cheong.

(6) The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date (i.e. 1,046,176,651 shares).

(ii) Share options granted to the Directors pursuant to the share option scheme adopted by the Company on 21 September 2011

Name	Date of grant	Exercise price per share	Exercise period	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of issued share capital *(Note)*
Cha Mou Sing, Payson	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	10,385,000	0.99%
Cha Mou Daid, Johnson	26.11.2014	HK$0.96	26.11.2014 to 25.11.2019	3,785,500	0.36%
	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	5,192,000	0.49%
Wong Sue Toa, Stewart	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	10,385,000	0.99%
Tai Sai Ho	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	5,192,000	0.49%
Lo Kai Cheong	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	1,332,000	0.12%
Chan Pak Joe	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	1,038,000	0.09%
Lau Tze Yiu, Peter	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	830,000	0.07%
Sun Tai Lun	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	1,038,000	0.09%

Note:

The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date (i.e. 1,046,176,651 shares).

(iii) Award shares granted to the Directors pursuant to the share award scheme adopted by the Company on 28 July 2016

Name	Date of grant	Vesting date	Number of award shares	Approximate percentage of issued share capital *(Note)*
Cha Mou Sing, Payson	10.3.2017	30.6.2018	5,178,000	0.49%
Cha Mou Daid, Johnson	10.3.2017	30.6.2018	5,178,000	0.49%
Wong Sue Toa, Stewart	10.3.2017	30.6.2018	12,274,000	1.17%
Tai Sai Ho	10.3.2017	30.6.2018	6,136,000	0.58%
Lo Kai Cheong	10.3.2017	30.6.2018	2,209,000	0.21%
Chan Pak Joe	10.3.2017	30.6.2018	1,035,000	0.09%
Lau Tze Yiu, Peter	10.3.2017	30.6.2018	828,000	0.07%
Sun Tai Lun	10.3.2017	30.6.2018	1,035,000	0.09%

Note:

The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date (i.e. 1,046,176,651 shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' Interests

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

Long position in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital *(Note 4)*
CCM Trust (Cayman) Limited ("CCM Trust") *(Note 1)*	Trustee Interest of controlled corporations	487,702,041	46.61%
Mingly Corporation ("Mingly") *(Note 2)*	Beneficial owner Interest of controlled corporations	104,243,301	9.96%
CCM Capital Corporation ("CCM Capital") *(Note 2)*	Beneficial owner	78,866,272	7.53%
LBJ Regents Limited ("LBJ") *(Note 3)*	Trustee Interest of controlled corporation	67,829,571	6.48%

Notes:

(1) These share interests comprise 383,458,740 shares directly held by CCM Trust and 104,243,301 shares held indirectly through Mingly and its wholly-owned subsidiaries. CCM Trust is interested in 87.5% equity interest in Mingly. CCM Trust is holding the 383,458,740 shares as the trustee of certain but not identical discretionary trusts of which members of the Cha Family (comprising, inter alios, Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, being the Directors) are among the discretionary objects. Mr. Cha Mou Sing, Payson is also a director of CCM Trust.

(2) These share interests comprise 3,732,928 shares directly held by Mingly and 78,866,272 shares and 21,644,101 shares held indirectly through CCM Capital and Mingly Asia Capital Limited, respectively. CCM Capital and Mingly Asia Capital Limited are direct wholly-owned subsidiaries of Mingly. Mr. Cha Mou Sing, Payson is also the executive chairman of Mingly and a director of CCM Capital, while Mr. Cha Mou Daid, Johnson is a director of Mingly and CCM Capital.

(3) These share interests comprise 61,022,931 shares directly held by LBJ and 6,806,640 shares held indirectly through Bie Ju Enterprises Limited, its wholly-owned subsidiary. LBJ is holding the 61,022,931 shares as the trustee of certain but not identical discretionary trusts of which members of the Cha Family (comprising, inter alios, Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, being the Directors) are among the discretionary objects. Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson are also directors of LBJ.

(4) The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date (i.e. 1,046,176,651 shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company was aware of any other person, other than a Director or the chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have, since 31 March 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.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the interests of the Directors in business (apart from business of the Group) which compete or were likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules were as follows:

Name of Director *(Note 1)*	**Name of company**	**Nature of interest**	**Competing business** *(Note 2)*
Cha Mou Sing, Payson	HKR International Limited ("HKRI")	Director of HKRI and a member of the class of discretionary beneficiaries of certain but not identical discretionary trusts of which the trustees are deemed substantial shareholders of HKRI under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services
	New World Development Company Limited ("NWDCL")	Independent non-executive director of NWDCL	(a) Property development and investment (b) Property management, leasing and marketing services
	Champion Real Estate Investment Trust ("CREIT")	Independent non-executive director of Eagle Asset Management (CP) Limited, the manager of CREIT	(a) Property investment (b) Property management, leasing and marketing services
Cha Mou Daid, Johnson	HKRI	Director of HKRI and a member of the class of discretionary beneficiaries of certain but not identical discretionary trusts of which the trustees are deemed substantial shareholders of HKRI under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services
Chan Pak Joe	The Luk Hoi Tong Company, Limited ("LHTCL")	Executive director of LHTCL	(a) Property development and investment (b) Property management, leasing and marketing services

Notes:

(1) Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson are non-executive Directors, and Mr. Chan Pak Joe is an independent non-executive Director, all of whom are not involved in the daily management of the Group. Accordingly, the Company is capable of carrying its businesses independently of, and at arm's length from the abovementioned competing businesses.

(2) Such businesses may be made through subsidiaries, affiliated companies or by way of other forms of investments.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business (apart from the Group's business), which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance pending or threatened against any member of the Enlarged Group, except the legal actions in respect of allegations of copyright infringement and defamation were taken during the financial year ended 31 March 2004 against certain subsidiaries of the Company carrying on its health products business. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements took place in 2004. The Directors are of the opinion that in view of the uncertainty it is not practicable to assess the financial effect.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
Colliers International (Hong Kong) Limited	An independent professional property valuer

As at the Latest Practicable Date, none of the above experts has:

(a) any shareholding 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; and

(b) any interest, direct or indirect, in any assets which have been, since 31 March 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and references to their names included herein in the form and context in which they appear.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be, material:

(a) the memorandum of understanding dated 10 June 2016 entered into between Esteemed Virtue Limited (an indirect wholly-owned subsidiary of the Company) ("**Esteemed Virtue**") as purchaser and Mr. Lai Shu Chi as vendor, regarding the possible acquisition of the entire equity interest and the shareholder's loan in Befit Limited ("**Befit**") at an initial consideration of HK$150,000,000 ("**Befit Acquisition**"). Further details of the memorandum of understanding are set out in the announcement of the Company dated 10 June 2016;

(b) the sale and purchase agreement dated 5 July 2016 entered into between Emwell Limited (a wholly-owned subsidiary of the Company) as vendor and Century Marvel Limited as purchaser, regarding the disposal of a property which is located at Workshop 16 on the Fifth Floor of Block B, Shatin Industrial Centre, Nos. 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong at a consideration of HK$9,172,800. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 5 July 2016;

(c) the sale and purchase agreement dated 8 August 2016 entered into between Esteemed Virtue as purchaser and Mr. Lai Shu Chi as vendor, regarding the Befit Acquisition referred to in paragraph (a) above. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 8 August 2016;

(d) the subscription agreement dated 19 October 2016 entered into among Silver Wave International Limited (a wholly-owned subsidiary of the Company) ("**Silver Wave**") as subscriber, 338 Apartment Member (BVI) L.P. ("**338 Apartment Member**") as vendor and 338 Apartment Holdings (BVI) Limited ("**338 Apartment Holdings**") as target, regarding the subscription of 80 shares of 338 Apartment Holdings at a consideration of USD80 (equivalent to approximately HK$624). Further details of the subscription are set out in the announcement of the Company dated 19 October 2016;

(e) the loan assignment dated 19 October 2016 entered into among 338 Apartment Member, Silver Wave and 338 Apartment Holdings in which 338 Apartment Member assigned a sale loan to Silver Wave at a consideration of HK$25,407,152. Further details of the loan assignment are set out in the announcement of the Company dated 19 October 2016;

(f) the shareholders deed dated 19 October 2016 entered into among 338 Apartment Member, Silver Wave and 338 Apartment Holdings, to govern their relationship as shareholders of 338 Apartment (BVI) Limited ("**338 Apartment BVI**") and regarding the management the renovation, management and marketing and leasing of a property. Further details of the shareholders deed are set out in the announcement of the Company dated 19 October 2016;

(g) the shareholder loan agreement dated 19 October 2016 entered into among 338 Apartment Member, Silver Wave and 338 Apartment Holdings, in which 338 Apartment Member and Silver Wave have advanced and shall continue to advance shareholder loans to 338 Apartment Holdings. Further details of the shareholder loan agreement are set out in the announcement of the Company dated 19 October 2016;

(h) the counter indemnity dated 19 October 2016 executed by Hanison Construction Holdings (BVI) Limited (a wholly-owned subsidiary of the Company) ("**Hanison BVI**") in favour of five limited partnerships which are all affiliates of 338 Apartment Member, pursuant to which subject to a maximum liability of HK$62,000,000, Hanison BVI will immediately upon demand indemnify such five limited partnerships in respect of 40% of their liability under certain corporate guarantee for securing the interest payment obligations of 338 Apartment BVI. Further details of the counter indemnity are set out in the announcement of the Company dated 19 October 2016;

(i) the memorandum of understanding dated 11 November 2016 entered into among Great Practice Limited (an indirect wholly-owned subsidiary of the Company) ("**Great Practice**") as purchaser, S. Sundar and Sons Limited ("**S. Sundar**"), Baffin Investments Limited ("**Baffin**"), Mutual Corporation Limited ("**Mutual Corporation**"), Agile Industries Limited ("**Agile Industries**") and Jamp (Overseas) Investments Limited ("**Jamp (Overseas)**") as vendors and Hind Hotels and Properties Limited ("**Hind Hotels**") as guarantor to S. Sundar, regarding the possible acquisitions of (i) the entire equity interest and the shareholder's loan in Honour Tower Holdings Limited ("**Honour Tower**") and (ii) the entire equity interest and the shareholder's loan in Reliable Worldwide Limited ("**Reliable Worldwide**") at an aggregate consideration of HK$341,380,001 ("**Acquisitions of Honour Tower and Reliable Worldwide**"). Further details of the memorandum of understanding are set out in the announcement of the Company dated 11 November 2016;

(j) the memorandum of understanding dated 14 December 2016 entered into between Hanison BVI as vendor and Profit Gainer Holdings Limited ("**Profit Gainer**") as purchaser, regarding the possible disposal of the entire equity interest in Senior Rich Development Limited ("**Senior Rich**") at an initial consideration of HK$250,000,000, subject to upward or downward adjustments for the net current assets/liabilities of Senior Rich ("**Senior Rich Disposal**"). Further details of the memorandum of understanding are set out in the announcement of the Company dated 14 December 2016;

(k) the sale and purchase agreement dated 28 December 2016 entered into among Great Practice as purchaser, S. Sundar, Baffin, Mutual Corporation, Agile Industries and Jamp (Overseas) as vendors and Hind Hotels as guarantor to S. Sundar, regarding the Acquisitions of Honour Tower and Reliable Worldwide referred to in paragraph (i) above. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 28 December 2016;

(l) the sale and purchase agreement dated 8 February 2017 entered into among Hanison BVI as vendor, Sanney Limited as guarantor to Hanison BVI, Profit Gainer as purchaser and Senior Rich, regarding the Senior Rich Disposal referred to in paragraph (j) above. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 8 February 2017;

(m) the shareholders deed dated 25 February 2017 entered into among Pagson Development Limited ("**Pagson**"), Honour Gain Global Limited ("**Honour Gain**") (an indirect wholly-owned subsidiary of the Company) as shareholder and an independent third party joint venture partner as shareholder, regarding the terms for the formation of Pagson and the management of Pagson and its subsidiaries. Further details of the shareholders deed are set out in the announcement of the Company dated 25 February 2017;

(n) the memorandum of understanding dated 17 May 2017 entered into among Heroic Elite Investments Limited (an indirect wholly-owned subsidiary of the Company) ("**Heroic Elite**") as purchaser, a corporate vendor and a corporate guarantor, regarding the possible acquisition of the entire issued and paid-up share capital of Waller Holdings Limited and the related shareholder's loan ("**WHL Acquisition**") at an aggregate consideration of HK$145,370,000. Further details of the memorandum of understanding are set out in the announcement of the Company dated 17 May 2017;

(o) the memorandum of understanding dated 17 May 2017 entered into among Oriental Elite Global Limited (an indirect wholly-owned subsidiary of the Company) ("**Oriental Elite**") as purchaser, a corporate vendor and a corporate guarantor, regarding the possible acquisition of the entire issued and paid-up share capital of Faithful Sun Limited and the related shareholder's loan ("**FSL Acquisition**") at an aggregate consideration of HK$149,700,000. Further details of the memorandum of understanding are set out in the announcement of the Company dated 17 May 2017;

(p) the memorandum of understanding dated 1 June 2017 entered into among Keen Elite Developments Limited (an indirect wholly-owned subsidiary of the Company) ("**Keen Elite**") as purchaser, two corporate vendors and two guarantors, regarding the possible acquisition of the entire equity interest and the shareholder's loan in Ultimate Elite Investments Limited at an aggregate consideration of HK$148,730,000 ("**UEIL Acquisition**"). Further details of the memorandum of understanding are set out in the announcement of the Company dated 1 June 2017;

(q) the letter of acceptance dated 20 June 2017 issued by Yip Yun Chi, Ip Kwong Chi and Ip Lai Sheung (the executors of the estate of Yip (or Ip) Lee (or Li) Yu Yee, also known as Li (or Lee) Yu Yee, deceased) as vendors to Regal Prosper Limited (an indirect wholly-owned subsidiary of the Company) as purchaser, regarding the acquisition of a property at a purchase price of HK$166,380,000. Further details of the letter of acceptance are set out in the announcement of the Company dated 20 June 2017;

(r) the sale and purchase agreement dated 13 July 2017 entered into among Heroic Elite as purchaser, a corporate vendor and a corporate guarantor, regarding the WHL Acquisition referred to in paragraph (n) above. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 13 July 2017;

(s) the sale and purchase agreement dated 13 July 2017entered into among Oriental Elite as purchaser, a corporate vendor and a corporate guarantor, regarding the FSL Acquisition referred to in paragraph (o) above. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 13 July 2017;

(t) the sale and purchase agreement dated 31 July 2017 entered into among Keen Elite as purchaser, two corporate vendors, two corporate guarantors and Vision Smart Limited, regarding the UEIL Acquisition referred to in paragraph (p) above. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 31 July 2017;

(u) the provisional sale and purchase agreement dated 23 December 2017 entered into among Honour Gain as one of the sellers, Starion II Cayman Limited ("**Starion II**") as one of the sellers, and Power Gain Investment Limited ("**Power Gain**") as purchaser, regarding the disposal of entire interests in the share capital in Pagson and the related shareholder's loans at an aggregate consideration of HK$1,038,000,000 ("**Pagson Disposal**"). Further details of the provisional sale and purchase agreement are set out in the announcement of the Company dated 23 December 2017;

(v) the MOU;

(w) the sale and purchase agreement dated 1 February 2018 entered into among Honour Gain as one of the sellers, Starion II as one of the sellers, and Power Gain as purchaser, regarding the Pagson Disposal referred to in paragraph (u) above. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 1 February 2018;

(x) the sale and purchase agreement dated 21 February 2018 entered into between Hanison BVI as vendor and Hilux II Cayman Ltd. as purchaser, regarding the disposal of 50% of the issued share capital in Gallant Elite Enterprises Limited and the related shareholder's loan. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 21 February 2018; and

(y) the SPA.

9. GENERAL

(a) The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business in Hong Kong is located at 22/F., Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, Shatin, New Territories, Hong Kong.

(b) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Lo Kai Cheong, who is a member of CPA Australia (CPA (Aust.)) and a fellow of Hong Kong Institute of Certified Public Accountants (FCPA) and The Association of International Accountants (FAIA).

(d) In the event of any inconsistency, the English text of the circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong, during normal business hours on any business day from the date of this circular until 14 days hereafter:

(a) the SPA;

(b) the memorandum and articles of association of the Company;

(c) the accountants' report of the Target Group as set out in Appendix II to this circular;

(d) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(e) the property valuation report, the text of which is set out in Appendix V to this circular;

(f) the written consents referred to in the paragraph headed "Experts and consents" in this Appendix;

(g) the annual reports of the Company for the three financial years ended 31 March 2015, 2016 and 2017;

(h) the material contracts referred to in the section headed "Material contracts" in this Appendix;

(i) the circular issued by the Company dated 27 March 2018 in relation to the Pagson Disposal;

(j) the circular issued by the Company dated 27 March 2018 in relation to the Gallant Disposal; and

(j) this circular.