

## BUSINESS

### OVERVIEW

We are a property developer and owner in Hong Kong, focusing on developing residential and commercial properties for sale and investing in commercial and industrial properties for stable recurring rental income and capital appreciation. Prior to the completion of the Reorganisation and the Spin-off, we are part of the Wang On Group which was established in 1987, and the holding company of which, namely WANG ON GROUP LIMITED (or Parentco, as defined in this [REDACTED]), has been listed on the Main Board since 1995. For details of the Reorganisation and the Spin-off, please see the sections headed “History, Development and Reorganisation” and “Structure and Conditions of the [REDACTED] — The [REDACTED]” in this [REDACTED], respectively.

Since the commencement of our property development business in Hong Kong in 2004, as at the Latest Practicable Date, we had a total of:

- six completed projects with a total SFA of approximately 198,000 sq.ft., including five residential projects, namely The Met. Delight, The Met. Sublime, The Met. Focus, Godi and Meister House completed in 2015, 2014, 2013, 2007 and 2007, respectively, and one commercial project namely 726 Nathan Road completed in 2014;
- four projects under development with a total expected GFA of approximately 489,000 sq.ft.; and
- one project held for future development with an expected GFA of approximately 272,000 sq.ft.

Our Directors consider that, during the Track Record Period, we had successfully established our “The Met” brand in Hong Kong for our residential property development projects. During the Track Record Period, we had developed three boutique residential development projects with distinct features in Hong Kong under the brand name of “The Met”, including The Met. Sublime in Sai Ying Pun on the Hong Kong Island, and The Met. Focus and The Met. Delight in Hung Hom and Cheung Sha Wan, Kowloon, respectively. Our “The Met” brand signifies good quality residential units with trendy design and layout with a SFA of approximately 190 to 580 sq.ft. per unit, and with easy access to the MTR. In addition, we had also re-developed an aged building in Mongkok, Kowloon into 726 Nathan Road, a Ginza-style commercial building, during the Track Record Period.

Apart from operating our property development business, we have also been engaging in property investment business in Hong Kong since 1997. As at the Latest Practicable Date, we held (i) eight properties held for investment comprising seven commercial properties and one industrial property, with a total value of HK\$598.5 million valued by the Property Valuer as at 30 November 2015; and (ii) five acquired properties held for sale comprising four commercial properties and a piece of land, with a total value of HK\$934.8 million valued by the Property Valuer as at 30 November 2015. For recent development of the portfolio of our property investment business, please refer to the sub-section headed “Summary — Recent Development and Material Adverse Change” in this [REDACTED].

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For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the revenue of our Group amounted to approximately HK\$509.8 million, HK\$1,389.4 million, HK\$1,228.8 million and HK\$535.0 million, respectively. An analysis of our Group’s revenue for the periods indicated is as follows:

	Year ended 31 March						Six months ended	
	2013		2014		2015		30 September 2015	
	(HK\$ million)	(%)	(HK\$ million)	(%)	(HK\$ million)	(%)	(HK\$ million)	(%)
Sale of properties								
— Sale of self-developed properties	—	—	896.9	64.6	1,208.6	98.3	518.3	96.9
— Sale of acquired properties held for sale	469.2	92.0	462.4	33.3	—	—	—	—
	469.2	92.0	1,359.3	97.9	1,208.6	98.3	518.3	96.9
Gross rental income	39.2	7.7	26.9	1.9	18.1	1.5	16.0	3.0
Property management fee income	1.4	0.3	3.2	0.2	2.1	0.2	0.7	0.1
<b>Total</b>	<b>509.8</b>	<b>100</b>	<b>1,389.4</b>	<b>100</b>	<b>1,228.8</b>	<b>100</b>	<b>535.0</b>	<b>100</b>

For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the profit and total comprehensive income amounted to approximately HK\$187.2 million, HK\$427.0 million, HK\$459.7 million and HK\$108.5 million, respectively.

### Our Principal Business and Business Model

Our principal business includes property development and property investment. During the Track Record Period, we recognised (i) revenue from the sale of self-developed properties under our property development business; and (ii) (a) revenue from the sale of acquired properties, (b) recurring rental income from leasing our investment properties; and (c) property management fee income, under our property investment business.

#### *Property Development*

##### *Sales of Self-developed properties*

Revenue from the sales of self-developed properties represents the revenue generated from the selling of properties that are developed by us. During the Track Record Period, revenue from the sale of self-developed properties included revenue from the selling of The Met. Delight, The Met. Sublime, The Met. Focus and 726 Nathan Road. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, we generated approximately nil, HK\$896.9 million, HK\$1,208.6 million and HK\$518.3 million from the sale of self-developed properties, representing approximately nil, 64.6%, 98.3%, 96.9% of our total revenue, respectively.

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For details of the properties developed by us, please refer to the paragraph headed “Our Property Development Business — Our Representative Completed Development Projects” below in this section.

### *Property Investment*

#### *Sales of Acquired Properties Held for Sale*

Revenue from the sales of acquired properties held for sale represents the revenue generated from the sale of properties that we had purchased in the market and subsequently re-sold. During the Track Record Period, we sold residential units in Royal Ascot and commercial units in Grandeur Terrace. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, we generated approximately HK\$469.2 million, HK\$462.4 million, nil and nil from the sale of acquired properties held for sale, representing approximately 92.0%, 33.3%, nil and nil of our total revenue, respectively. Depending on market demand, we may hold a mix of commercial properties, such as shops, shopping malls, car parking spaces and office units, and industrial properties.

#### *Gross Rental Income*

We hold our investment properties for rental income and capital appreciation. Our gross rental income represents the rental income we receive from the leasing of our investment properties. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, we generated approximately HK\$39.2 million, HK\$26.9 million, HK\$18.1 million and HK\$16.0 million from leasing of our investment properties, representing approximately 7.7%, 1.9%, 1.5% and 3.0% of our total revenue, respectively.

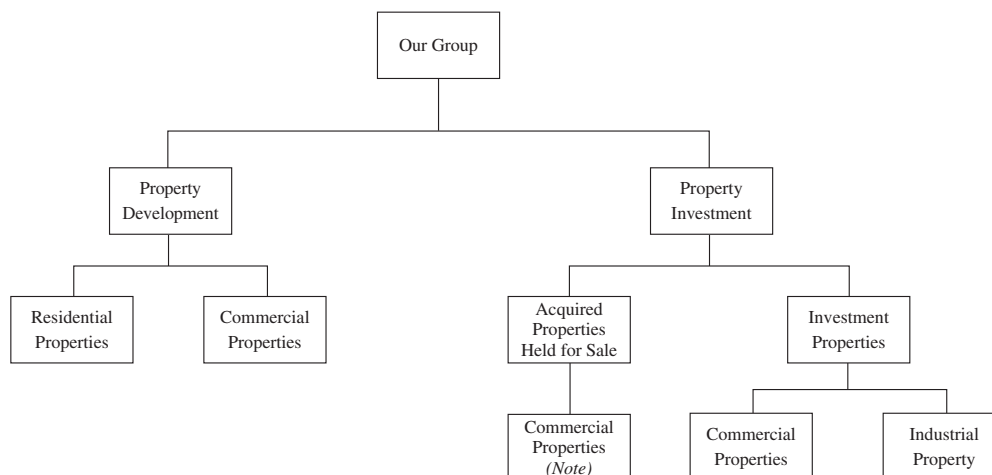
#### *Property Management Fee Income*

Our property management fee income mainly represents the revenue generated from property management services we provided to the tenants of Grandeur Terrace and Rivera Plaza, through third-party service providers. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, we generated property management fee income of approximately HK\$1.4 million, HK\$3.2 million, HK\$2.1 million and HK\$0.7 million, representing approximately 0.3%, 0.2%, 0.2% and 0.1% of our total revenue, respectively. Pursuant to a sale and purchase agreement entered into on 1 December 2015 between East Run, our wholly-owned subsidiary, as the vendor, Parentco as the vendor’s guarantor, and an Independent Third Party as the purchaser, the sale and purchase of the property comprising the shopping mall and car parking spaces in Riviera Plaza are expected to complete in February 2016 for a consideration of HK\$823 million. After such disposal, we expect that we will not generate any property management fee income.

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### Our Property Portfolio

Our Group has diverse capabilities with principal activities encompassing property development and investment. The following chart illustrates the composition of the portfolios of our property development and property investment business as at the Latest Practicable Date:



*Note:* As at 30 November 2015, our portfolio of acquired properties held for sale also included a parcel of land located in Yuen Long. Pursuant to a sale and purchase agreement entered into on 28 November 2015 between Kartix, our wholly-owned subsidiary, and an Independent Third Party for the disposal of such parcel of land for a consideration of HK\$1.2 million, we expect completion to take place on 28 December 2015.

The following map of Hong Kong illustrates the geographical locations of (i) our self-developed properties completed during the Track Record Period; and (ii) (a) our properties under development and held for future development; (b) our investment properties; and (c) our acquired properties held for sale, as at the Latest Practicable Date:



- ▲ — Our self-developed property completed during the Track Record Period
- — Our property under development or held for future development as at the Latest Practicable Date
- — Our investment property as at the Latest Practicable Date
- ◆ — Our acquired property held for sale as at the Latest Practicable Date

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### OUR COMPETITIVE STRENGTHS

Our Directors consider our success is principally attributed to the following competitive strengths:

#### **We have been successful in establishing “The Met” brand in Hong Kong**

As a property developer, we believe that we have successfully established “The Met” brand in Hong Kong for our residential property development projects. During the Track Record Period, we had developed three boutique residential development projects with distinct features in Hong Kong under the brand name of “The Met”, including The Met. Sublime in Sai Ying Pun on the Hong Kong Island, and The Met. Focus and The Met. Delight in Hung Hom and Cheung Sha Wan, Kowloon, respectively. Sai Ying Pun, Hung Hom and Cheung Sha Wan are traditional urban residential districts. Our “The Met” brand signifies good quality residential units with trendy design and layout with a SFA of approximately 190 to 580 sq.ft. per unit, which are most suitable for single occupants and young couples, and with easy access to the MTR. For instance, The Met. Sublime is located near the Sai Ying Pun Station of the MTR which was opened in March 2015 and completes the West Island Line extension of the Island Line of the MTR. In addition, The Met. Focus is located in Hung Hom which is currently served by the Hung Hom Station of the MTR. The station serves as the southern terminus of both East Rail Line and West Rail Line of the MTR, as well as the terminus of cross-border services with destinations to major cities in China. Ho Man Tin Station and Whampoa Station are also under construction in Hung Hom as part of an extension of the Kwun Tong Line of the MTR. Our Directors consider that, with the unique brand images of these projects, all of these projects stood out from the other developers.

Currently, we are developing three residential projects which are expected to be sold under “The Met” brand. Such residential projects include two projects located in Ma On Shan and one project located on Tai Po Road, all of which are easily accessible by the MTR. For details of such residential projects, please refer to the sub-section headed “Our Development Properties — Description of the Portfolio of Our Property Development Business” below in this section.

We believe that our strong and growing reputation is partly attributable to our emphasis on the design and quality of our property development projects. We aim to maximise the value of each parcel of land by constructing properties suiting its particular features. Over the years, we have engaged a number of professional firms for our projects. We believe that our collaboration with these architect and consultant firms enhances the quality of our property projects which in turn boosts the recognition of our “The Met” brand.

#### **We have a broad range of properties for development and investment**

Our Group has extensive expertise in developing and investing in properties across different asset classes, including residential, commercial and industrial properties. We commenced our property development business in 2004. As at the Latest Practicable Date, we had a total of:

- six completed projects with a total SFA of approximately 198,000 sq.ft., including five residential projects, namely The Met. Delight, The Met. Sublime, The Met. Focus, Godi and Meister House completed in 2015, 2014, 2013, 2007 and 2007, respectively, and one commercial project namely 726 Nathan Road completed in 2014;

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- four projects under development with a total expected GFA of approximately 489,000 sq.ft.; and
- one project held for future development with an expected GFA of approximately 272,000 sq.ft.

By building on a diversified operating base in terms of asset type, we believe we will be able to further enhance our operational efficiency and effectiveness, and strengthen our risk management capability to deal with unforeseen market changes.

We commenced our property investment business in 1997. As at the Latest Practicable Date, the portfolio of our property investment business (including those contracted for sale) comprised mainly commercial properties, including shops and car parking spaces, with a total value of HK\$1.5 billion valued by the Property Valuer as at 30 November 2015.

### **We maintain stringent quality and cost control policies**

We closely manage and monitor our property development projects during various stages of development to maintain stringent quality control and achieve cost efficiency. Mr. Chan Chun Hong, our non-executive Director and chairman of our Board, has joined the Parentco Group since March 1997. He has gained extensive experience in the property market and deep understanding of our operations. Mr. Yeung Yiu Man, the director of the quantity surveying department of our Group, has over 15 years of comprehensive experience in project management, tender procurement and cost control. Ms. Chow Ka Lok, Ruby, our project director of our property development department, has over 17 years of experience in construction and project management experience. Please refer to the section headed “Directors and Senior Management” in this [REDACTED] for the biographical details of our management team.

We contract construction works to contractors through a tendering process, taking into consideration their track record performance, quality of workmanship, proposed delivery schedules and costs in our selection process. Our Group has an in-depth understanding of the business operations and cost structure of contractors and maintains good relationships with a number of contractors. We believe that part of the success of our Group is attributable to a strict quality control system adopted by our Group for our own property development projects, which enables us to closely monitor and ensure construction quality and control construction costs. We seek to establish and maintain strong business relationships with our contractors which allows us to maintain our construction costs at a reasonable level without compromising quality.

### **We have an experienced and stable management team which is able to understand the needs and preferences of the target buyers of our properties and the target tenants of our properties, and respond swiftly to market demand**

Our management team comprises professionals with expertise in a wide range of fields, including real estate development, engineering, finance, project management operations and sales and marketing. Our executive and non-executive Directors and senior management team have extensive experience in the property market in Hong Kong. For example, our executive Director, Mr. Wong Yiu Hung Gary, has over 30 years of experience in the property development industry, and our executive Director, Mr. Tang Ho Hong has about 5 years of experience in property acquisition, project development and management. Mr. Chan Chun Hong, our non-executive Director and chairman of our Board, has joined the Parentco Group since March 1997. He has

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gained extensive experience in the property market and deep understanding of our operations. Ms. Ching Tak Won, Teresa, our sales and marketing general manager of our property development division, has more than 11 years of experience in sales and marketing in the property industry. Most of our executive and non-executive Directors and senior management personnel have been working with us for an average of more than 6 years, and form a stable core team which has operated well together. We believe the stability of our management team, the extensive experience of our management team in the property industry and our management team's in-depth understanding of the property market in Hong Kong would enable us to understand the needs and preferences of the target buyers of our properties and the target tenants of our properties, and respond swiftly to market demand.

We believe that the strong execution capabilities of our management team have been instrumental in executing our business strategies and achieving our current market position. Throughout the years, we have endeavoured to recruit and retain employees whom we believe have potential to contribute to the growth of our Group.

### **We have an established business model where we strategically hold selected properties for investment for recurring rental income and capital appreciation**

Our business model is designed to balance short-term capital needs and long-term financial strength. While we strategically hold selected properties for investment for stable recurring rental income and capital appreciation, we also sell certain properties for investment for return of capital to fund our business, operations and expansion plans. This allows us to generally fund our operations through cash flows stemming from rental income, while allowing us to benefit from additional capital from the sale of these properties for our overall operations. We are also able to enjoy potential capital appreciation on our properties for investment over the long term to take advantage of prime locations of our properties. Although we had a net fair value loss on our investment properties of approximately HK\$25.3 million for the year ended 31 March 2014 mainly due to the introduction of BSD by the Hong Kong Government in October 2012 and the introduction of prudential measures for property mortgage loans by the Hong Kong Monetary Authority in September 2012 and February 2013, which continued to have an adverse impact on the property market for the year ended 31 March 2014, our investment properties had a net fair value gain of HK\$68.3 million, HK\$47.6 million and HK\$39.2 million for the years ended 31 March 2013 and 2015 and the six months ended 30 September 2015, respectively.

### **We have established long-term relationships with well-known real estate agencies and have acquired quality properties for investment**

Since the commencement of our property investment business in 1997, we have acquired and disposed of properties for investment as and when our management considered appropriate, and have established long-term relationships with well-known real estate agencies with good networks of quality properties available for sale and potential buyers and tenants of our properties for investment. Such well-known real estate agencies are able to understand our preferences and property investment strategies. We believe our long-term relationships with such well-known real estate agencies have enabled us to have early access to quality properties available for sale and acquire properties for investment at competitive costs, and have enabled us to reach potential buyers and tenants of our properties for investment efficiently.



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### OUR BUSINESS STRATEGIES

To expand our market share as a property developer and owner in Hong Kong and create value for our Shareholders, we intend to implement the following business strategies:

#### **Continue to focus predominately on developing residential and commercial properties in locations accessible by public transportation**

In order to maximise our Shareholders’ value by driving long-term sustainable growth, we will continue to place a predominate focus on our residential property development business, especially in locations accessible by public transportation.

During the Track Record Period, we had developed 726 Nathan Road, a Ginza-style commercial building with modern design in Mongkok, which is within two minutes’ walk from the Mongkok Station of the Tsuen Wan Line of the MTR. We are currently developing another Ginza-style commercial building located at 575–575A Nathan Road, Mongkok. Please refer to the paragraph headed “Our Development Properties — Description of the Portfolio of Our Property Development Business — Properties under development — 575 Nathan Road Project for further details. We believe that the launching of the 575 Nathan Road Project could bring more attention to investors for future investment opportunities. Going forward, we will continue to look for suitable locations to develop more Ginza-style commercial buildings in locations accessible by public transportation.

#### **Maintain a prudent land bank strategy**

Acquisition of development sites with good development potential and at a reasonable cost has been our key development strategy. Our Group will continue to actively compete in land tenders hosted by the Hong Kong Government and capture other opportunities in property acquisitions so as to maintain sufficient land bank to support the development of our property development business. Our Group will focus on identifying suitable development sites by utilising our accumulated expertise and experience in developing properties in Hong Kong. Our Group will continue to adopt a prudent approach in future land acquisitions.

#### **Improve the mix of the portfolio for our property investment business**

Our Group intends to continue our investment in properties located in Hong Kong. We intend to improve the mix of the portfolio for our property investment business by (i) actively monitoring the property market in Hong Kong, including the supply and demand for different types of properties and the regulations and policies to be implemented by the Hong Kong Government from time to time; (ii) continuously adopting a flexible investment approach for our properties; and (iii) considering to invest in different types of commercial and industrial properties. In order to increase the market values of properties to be purchased by us, we may also consider and execute asset enhancement opportunities.



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### **Promote our brand recognition in Hong Kong**

Our Directors consider that, during the Track Record Period, we had successfully established “The Met” brand in Hong Kong for our residential property development projects. Going forward, we intend to further promote our “The Met” brand by continuously enhancing the appeal of our residential properties to be developed by us and by seeking to distinguish ourselves from our competitors by strategically positioning in niche markets. We are currently establishing the theme of our new brand “Ladder” for our commercial development projects. We intend to use the brand, “Ladder”, for our Ginza-style commercial property located at 575 Nathan Road, which is currently under development, and other Ginza-style commercial properties to be developed in the future. We believe that by offering properties which match the trends of the market and meet the demands of our customers, we will be able to promote our brand recognition and reputation in Hong Kong.

### **Continue to attract, retain and motivate skilled and talented workforce**

We are committed to building a highly professional and specialised team with strong execution capabilities that share our values, vision and corporate culture. We believe our future success and growth strategies depend on our ability to attract, retain and motivate skilled and talented workforce.

In order to support our growth and expansion, we intend to attract and recruit employees with a wide range of expertise including property development, project planning, finance and marketing and sales. We will continue to attract, retain and motivate skilled and talented workforce through various initiatives, including internal and external job-related training and team-building programmes, competitive remuneration packages and effective performance-based evaluation and incentive system.

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### OUR PROPERTY PORTFOLIO

We have a diversified portfolio of properties in Hong Kong. The table below sets out a summary of our property portfolio as at the Latest Practicable Date by geographic location and their valuations which were valued by the Property Valuer as at 30 November 2015:

	Property Development									Property Investment								
	Completed Properties Held for Sale			Properties Under Development			Properties Held for Future Development			Acquired Properties Held for Sale			Properties Held for Investment			Total		
				Expected	Expected		Expected	Expected										
	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)
Hong Kong																		
Island	—	—	—	—	—	—	—	—	—	—	—	—	4,951	—	288.2	4,951	—	288.2
Kowloon	2,720 (Note 1)	—	91.3	—	25,465	430.0	—	271,615	370.0	803 (Note 4)	—	28.0	4,684 (Note 5)	—	254.9	8,207	297,081	1,174.2
New Territories	—	—	—	—	463,217	2,075.0	—	—	—	936 (Note 3&4)	242,689 (Note 2)	906.8	1,224	—	55.4	2,160	705,906	3,037.2
<b>Total</b>	<b>2,720</b>	<b>—</b>	<b>91.3</b>	<b>—</b>	<b>488,682</b>	<b>2,505.0</b>	<b>—</b>	<b>271,616</b>	<b>370.0</b>	<b>1,739</b>	<b>242,689</b>	<b>934.8</b>	<b>10,859</b>	<b>—</b>	<b>598.5</b>	<b>15,318</b>	<b>1,002,987</b>	<b>4,499.6</b>

Notes:

- The SFA of these properties includes two units in 726 Nathan Road which was developed by us. Pursuant to a sale and purchase agreement entered into on 29 September 2015 between City Target, our wholly-owned subsidiary, as the vendor, and two Independent Third Parties as the purchasers, the sale and purchase of one of these units are expected to complete in February 2016 for a consideration of HK\$43.5 million. As at the Latest Practicable Date, we also held 17 signages at 726 Nathan Road with a total area of approximately 772 sq.ft., which had a total value of HK\$4.8 million as at 30 November 2015.
- Pursuant to a sale and purchase agreement entered into on 1 December 2015 between East Run, our wholly-owned subsidiary, as the vendor, Parentco as the vendor's guarantor, and an Independent Third Party as the purchaser, the sale and purchase of the property comprising the shopping mall and car parking spaces in Riviera Plaza are expected to complete in February 2016 for a consideration of HK\$823.0 million. The GFA of such property does not include the car parking spaces in Riviera Plaza.
- The SFA of properties held for sale located in the New Territories does not include the 137 car parking spaces in Shatin Centre and a parcel of land located in Yuen Long. Pursuant to a preliminary sale and purchase agreement entered into on 28 November 2015 between Kartix, our wholly-owned subsidiary, and an Independent Third Party for the disposal of the parcel of land located in Yuen Long for a consideration of HK\$1.2 million, we expect completion to take place on 28 December 2015.
- Pursuant to a sale and purchase agreement entered into on 13 November 2015 between East Run, our wholly-owned subsidiary, as the vendor, and a subsidiary of Wai Yuen Tong Medicine Holdings Limited as the purchaser, for the disposal of two shops located on Chuen Lung Street in the New Territories and Yen Chow Street in Kowloon for a total consideration of HK\$70.0 million. It is expected that completion of the sale and purchase will take place on 23 December 2015.
- The properties held for investment in Kowloon include a shop in 726 Nathan Road which was developed by us, and has been leased to an Independent Third Party.

All valuation figures cited above are derived from “Appendix III — Property Valuation” to this [REDACTED]. For details, please refer to “Appendix III — Property Valuation” to this [REDACTED].

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### OUR PROPERTY DEVELOPMENT BUSINESS

We have completed six development projects with a total SFA of approximately 198,000 sq.ft., including five residential projects and one commercial project since the commencement of our property development business in 2004. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, we generated approximately nil, HK\$896.9 million, HK\$1,208.6 million and HK\$518.3 million from the sale of self-developed properties, representing approximately nil, 64.6%, 98.3%, 96.9% of our total revenue, respectively.

In general, the portfolio for our property development business comprises completed properties held for sale, properties under development and properties held for future development.

The following table sets out the SFA of our completed properties held for sale and the expected GFA of our properties under development and held for future development as at the Latest Practicable Date, and their respective valuation valued by the Property Valuer as at 30 November 2015:

	<b>Completed Properties Held for Sale</b>		<b>Properties Under Development</b>		<b>Properties Held for Future Development</b>	
	<i>SFA (sq.ft.)</i>	<i>(HK\$ million)</i>	<i>Expected GFA (sq.ft.)</i>	<i>(HK\$ million)</i>	<i>Expected GFA (sq.ft.)</i>	<i>(HK\$ million)</i>
Hong Kong Island	—	—	—	—	—	—
Kowloon	2,720	91.3	25,465	430.0	271,615	370.0
	<i>(Note)</i>					
New Territories	—	—	463,217	2,075.0	—	—
<b>Total</b>	<b>2,720</b>	<b>91.3</b>	<b>488,682</b>	<b>2,505.0</b>	<b>271,615</b>	<b>370.0</b>

*Note:* These properties include two units and 17 signages in 726 Nathan Road which was developed by us. Pursuant to a sale and purchase agreement entered into on 29 September 2015 between City Target, our wholly-owned subsidiary, as the vendor, and two Independent Third Parties as the purchasers, the sale and purchase of one of these units are expected complete in February 2016 for a consideration of HK\$43.5 million.

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### Key Information of the Portfolio for Our Property Development Business

Tables containing certain key information with respect to the portfolio of our property development business, as at the Latest Practicable Date, that was valued by the Property Valuer as at 30 November 2015, which comprised completed properties held for sale, properties under development and properties held for future development, are set out below. For details of the valuations of the properties valued by the Property Valuer as at 30 November 2015, please see “Appendix III — Property Valuation” to this [REDACTED].

(i) *Completed Properties Held for Sale*

Project	Location	SFA/Area Held for Sale (sq.ft.)	Number of Units/ Properties Held for Sale	Actual Completion Date (Year)	Total Value (HK\$ million)	Page no. of “Appendix III — Property Valuation” to this [REDACTED]
<b>Kowloon</b>						
726 Nathan Road	Mongkok	2,720 (Note 1)	2	2014	86.5	III-21 and III-22
726 Nathan Road	Mongkok	772 (Note 2)	17	2014	4.8	III-17

*Notes:*

- These properties include two units in 726 Nathan Road which was developed by us. Pursuant to a sale and purchase agreement entered into on 29 September 2015 between City Target, our wholly-owned subsidiary, as the vendor, and two Independent Third Parties as the purchasers, the sale and purchase of one of these units are expected complete in February 2016 for a consideration of HK\$43.5 million.
- These properties include 17 signages on the external wall of 726 Nathan Road.

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P.126.2 (ii) *Properties Under Development*

Project	Location	Site Area (sq.ft.)	Total Expected GFA (sq.ft.)	Number of Units Held for Sale	Number of Car Parking Spaces	Development Commencement Date (Year)	Pre-sale Consent Date (Year)	Estimated Completion Date (Year)	Interest Attributable to our Group (%)	Total Value to our Group (HK\$ million)	Total Value Attributable to this Group (HK\$ million)	Page no. of “Appendix III — Property Valuation” to this [REDACTED] (HK\$ million)
<b>Kowloon</b>												
575 Nathan Road Project (Note 1)	Mongkok	2,130	25,465	19	—	2015	N/A	2017	100	430.0	430.0	III-7, III-27
<b>New Territories</b>												
Ma Kam Street Project (Note 2)	Shatin	33,272	200,210	640	46	2014	—	2018	60	805.0	483.0	III-7, III-29
Hang Kwong Street Project (Note 2)	Shatin	33,368	115,088	364	27	2014	—	2017	60	480.0	288.0	III-7, III-28
Tai Po Road Project	Shatin	70,504	147,919	343	23	2015	—	2019	100	790.0	790.0	III-7, III-30
<i>Notes:</i>												

(1) 575 Nathan Road Project is a non-consent scheme project and no pre-sale consent is required.

(2) We hold such property through a non wholly-owned subsidiary which we hold 60% interests.

P.126.3 (iii) *Properties Held for Future Development*

Project	Location	Site Area (sq.ft.)	Total Expected GFA (sq.ft.)	Number of Units Held for Sale	Number of Car Parking Spaces	Development Commencement Date (Year)	Pre-sale Consent Date (Year)	Estimated Completion Date (Year)	Interest Attributable to our Group (%)	Total Value to our Group (HK\$ million)	Total Value Attributable to this Group (HK\$ million)	Page no. of “Appendix III — Property Valuation” to this [REDACTED] (HK\$ million)
<b>Kowloon</b>												
Sze Shan Street Project	Yau Tong	41,080	271,615	328	89	2009	—	N/A	100	370.0	370.0	III-8, III-31 to III-32

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### Description of the Portfolio of Our Property Development Business

As at 30 November 2015, the following were our development properties in Hong Kong (which comprise properties under development and properties held for future development) each of which had a carrying amount as at 30 September 2015 of 1% or more of our Group's total assets as at the same date:

#### *Properties under development*

##### *Ma Kam Street Project*

The Ma Kam Street Project is a residential project located on Sha Tin Town Lot No. 599 on Ma Kam Street in Ma On Shan, which is near to the Ma On Shan Station of the Ma On Shan Line of the MTR. We acquired the development site comprising the Ma Kam Street Project in July 2014 through tender. Our Group has 60% interest in the Ma Kam Street Project. This project is a residential development with a site area of approximately 33,000 sq.ft.

Details of this project as of 30 November 2015 were as follows:

Construction period	
• Commencement	August 2014
• Estimated date of completion	February 2018
Total expected GFA under development (approximate) (sq.ft.)	200,000
Attributable interest to our Group	60%
Future development costs to be incurred (approximate)	HK\$913 million

As at 30 November 2015, the two residential buildings were expected to comprise 640 units and 46 car parking spaces at the Ma Kam Street Project and were under development.

##### *Hang Kwong Street Project*

The Hang Kwong Street Project is a residential project located at Sha Tin Town Lot No. 598 on Hang Kwong Street in Ma On Shan, which is near to the Ma On Shan Station of the Ma On Shan Line of the MTR and Sunshine City Plaza, the largest shopping centre in the Ma On Shan District. We acquired the development site comprising the Hang Kwong Street Project in September 2014 through tender. Our Group has 60% interest in the Hang Kwong Street Project. The project is a residential development with a site area of approximately 33,000 sq.ft.

Details of this project as of 30 November 2015 were as follows:

Construction period	
• Commencement	October 2014
• Estimated date of completion	October 2017
Total expected GFA under development (approximate) (sq.ft.)	115,000
Attributable interest to our Group	60%
Future development costs to be incurred (approximate)	HK\$576 million

As at 30 November 2015, the two residential buildings were expected to comprise 364 units and 27 car parking spaces at the Hang Kwong Street Project and were under development.

## BUSINESS

### *575 Nathan Road Project*

The 575 Nathan Road Project is a commercial project located at 575–575A Nathan Road in Mongkok, Kowloon. This project is a commercial development with a site area of approximately 2,100 sq.ft. We intend to develop the 575 Nathan Road Project into another Ginza-style commercial building with 19 floors.

Details of this project as of 30 November 2015 were as follows:

Construction period	
• Commencement	April 2015
• Estimated date of completion	October 2017
Total expected GFA under development (approximate) ( <i>sq.ft.</i> )	25,000
Attributable interest to our Group	100%
Future development costs to be incurred (approximate)	HK\$128 million

As at 30 November 2015, the 575 Nathan Road Project was under development.

### *Tai Po Road Project*

The Tai Po Road Project is a residential project located on Sha Tin Town Lot. No. 587 on Tai Po Road in Tai Wai, which is near to the Tai Wai Station on the East Rail Line and the Ma On Shan Line of the MTR. We acquired the development site comprising the Tai Po Road Project in February 2015 through tender. This project is a residential development with a site area of approximately 71,000 sq.ft.

Details of this project as of 30 November 2015 were as follows:

Construction period	
• Commencement	February 2015
• Estimated date of completion	January 2019
Total expected GFA under development (approximate) ( <i>sq.ft.</i> )	148,000
Attributable interest to our Group	100%
Future development costs to be incurred (approximate)	HK\$764 million

As at 30 November 2015, the residential building was expected to comprise 343 units and 23 car parking spaces at the Tai Po Road Project.

### ***Properties held for future development***

#### *Sze Shan Street Project*

The Sze Shan Street Project is a residential and commercial project located at Yau Tong Inland Lot Nos. 23 and 24, Nos. 13 and 15 Sze Shan Street in Yau Tong. The acquisition of the development site comprising the Sze Shan Street Project was completed in September 2010 from Independent Third Parties. The Sze Shan Street Project has a site area of approximately 41,000 sq.ft.



## BUSINESS

Details of this project as of 30 November 2015 were as follows:

Construction period

- Commencement (*Note*) N/A
- Estimated date of completion (*Note*) N/A

Total expected GFA under development (approximate) (*sq.ft.*) 272,000

Attributable interest to our Group 100%

*Note:* We are awaiting the Hong Kong Government to make a re-offer of the land premium for the development site. As at the Latest Practicable Date, the land comprising the Sze Shan Street Project was a bare site.

We may consider disposing of the land comprising the Sze Shan Street Project, depending on (i) the negotiation of land premium with the Hong Kong Government; and (ii) the prevailing market rate.

### Payment Schedule for Other Future/Estimated Development Costs to be Incurred

As of 30 November 2015, based on our current project plans, the payment schedule for other future/estimated development costs to be incurred for our current projects were as follows:

		Other future/estimated development costs to be incurred				
		For the four months ending 31 March 2016	For the year ending 31 March 2017	After 31 March 2017		Total
		(HK\$ million)				
Project	District					
1.	Ma Kam Street Project	Shatin	26.5	359.1	527.8	913.4
2.	Hang Kwong Street Project	Shatin	30.2	286.7	259.4	576.3
3.	575 Nathan Road Project	Mongkok	17.1	65.5	45.8	128.4
4.	Tai Po Road Project	Shatin	30.1	209.9	523.6	763.6
5.	Sze Shan Street Project (Note)	Kwun Tong	N/A	N/A	N/A	N/A
Total			103.9	921.2	1,356.6	2,381.7

*Note:* As at the Latest Practicable Date, the land comprising the Sze Shan Street Project was a bare site.

## BUSINESS

### Our Representative Completed Development Projects

We are experienced in property development in Hong Kong. Over the years, we had completed six development projects, which include five residential development projects and one commercial development project. Set out below are the brief particulars of our representative completed development projects:

#### *The Met. Focus*



Name of the development	: The Met. Focus
Type of development	: residential
Location	: Pak Kung Street, Hung Hom, Kowloon
Total SFA of residential and commercial units (approximate)	: 29,000 sq.ft. (residential: 24,000 sq.ft.; commercial: 5,000 sq.ft.)
Number of storeys	: 26 storeys (including ground floor) (residential: 21 storeys; recreational facilities and clubhouse: 2 storeys; commercial: 2 storeys; mechanical floor: 1 storey)
Number of residential units	: 103
Number of shops	: 5
Commencement date of pre-sale	: December 2011
Completion date	: November 2013

“The Met” is the first boutique residential series introduced by our Group. “Met” can be interpreted as metropolis and metro, representing the concept that the properties are built at superior locations with the advantage of having easy access to comprehensive transportation systems. “Met” can also be interpreted as “to meet”, which means to ultimately reach the goal you have pursued for a life-time, that is, an ideal home like no other.

## BUSINESS

The Met. Focus is the first project in the series. Located in Hung Hom, The Met. Focus is built on a core part of Kowloon. Hung Hom is currently served by the Hung Hom Station of the MTR. The station serves as the southern terminus of both East Rail Line and West Rail Line of the MTR, as well as the terminus of cross-border services with destinations to major cities in China. Ho Man Tin Station and Whampoa Station are also under construction in Hung Hom as part of an extension of the Kwun Tong Line of the MTR. The Met. Focus is of simple and cozy design. Units are mainly studio flats in hotel-style design and specialty flats are equipped with spacious terrace or roof for exclusive enjoyment. Recreational facilities and clubhouse are available at The Met. Focus, which include gymnasium, function room, outdoor swimming pool, changing rooms, barbeque area and landscaped garden. According to the DTZ Market Report, having a clubhouse within a single-block development is not common, therefore such facilities are considered to be value-adding to The Met. Focus.



## BUSINESS

### *The Met. Sublime*



Name of the development	: The Met. Sublime
Type of development	: residential
Location	: Kwai Heung Street, Sai Ying Pun, Hong Kong Island
Total SFA of residential and commercial units (approximate)	: 32,000 sq.ft. (residential: 30,000 sq.ft.; commercial: 2,000 sq.ft.)
Number of storeys	: 29 storeys (including ground floor) (residential: 25 storeys; clubhouse: 1 storey; commercial: 1 storey; plant room and refuge floor: 2 storeys)
Number of residential units	: 97
Number of shops	: 2
Commencement date of pre-sale	: August 2012
Completion date	: November 2014

## BUSINESS

Apart from being the second project in “The Met.” boutique residential series, The Met. Sublime is also the pioneer residential project of our Group on the Hong Kong Island. Adhering to the concept of “The Met” series, The Met. Sublime provides a quality living standard with stylish design equipped with meticulous selection of fittings and finishes. Recreational facilities and clubhouse are available at The Met. Sublime, which include outdoor swimming pool and gymnasium. As The Met. Sublime is located in a mature district, these ancillary facilities together with the modern design and decoration provide a high quality and comfortable living environment for its residents. The Met. Sublime is only 2 minutes’ away from the Sai Ying Pun Station of the Island Line of the MTR by foot and within 10 minutes’ away from Central by MTR.



## BUSINESS

### *The Met. Delight*



Name of the development	: The Met. Delight
Type of development	: residential
Location	: Camp Street, Cheung Sha Wan, Kowloon
Total SFA of residential and commercial units (approximate)	: 36,000 sq.ft. (residential: 30,000 sq.ft.; commercial: 6,000 sq.ft.)
Number of storeys	: 25 Storeys (including ground floor) (residential: 22 storeys; clubhouse: 1 storey; commercial: 2 storeys)
Number of residential units	: 84
Number of storeys of shops	: 2
Number of shops	: 9
Commencement date of pre-sale	: March 2013
Completion date	: January 2015

The Met. Delight is designed with a green city concept, incorporating a number of environmentally friendly and low-carbon living elements. From construction process to materials procurement, the project complies with the environmental standards of the Beam Plus principles, which fulfils city dwellers’ pursuit of a low carbon life-style. The Met. Delight is a special residential development in the district for its offering of spectacular views, as each unit faces either the mountain or city’s skyline. Recreational facilities and clubhouse are available at The Met. Delight, which include landscaped and recreational areas.

## BUSINESS

The Met. Delight boasts a convenient transportation network, with Cheung Sha Wan Station and Sham Shui Po Station of the Tsuen Wan Line of the MTR only a 7-minute walk away, thereby providing easy access to other districts. Being in close proximity to Beacon Hill Crescent and connected to Sheung Li Uk Garden, the Met. Delight is in the heart of a bustling city, while offering the serenity of nature.





## BUSINESS

### *726 Nathan Road*

Name of the development	: 726 Nathan Road
Type of development	: commercial
Location	: Nathan Road, Mongkok, Kowloon
Total SFA of commercial units (approximate)	: 28,000 sq.ft.
Number of storeys	: 22 storeys (including ground floor) (commercial: 19 storeys; podium garden: 1 storey; mechanical floors: 2 storeys)
Number of shops	: 19
Commencement date of pre-sale	: January 2013
Completion date	: February 2014

726 Nathan Road is designed to be a 24-hour operating Ginza-style commercial building, which is located at the core bustling shopping area in Mongkok within 2 minutes’ walk from the Mongkok Station of the Tsuen Wan Line of the MTR and with easy access to China-Hong Kong transportation stops and 24-hour minibus stops. The development has 19 storeys of commercial units and a recreational communal podium garden on the 3rd Floor. Each of the units is column-free with open floor space design, which maximises layout flexibility. In addition, each unit has a ceiling height of 3.85 metres, which offers ample space, and a floor loading of 5 kPa (kilopascals) which is able to meet the needs and requirements of different business operators such as operators of restaurants.



## BUSINESS

### Expansion of Property Portfolio, Pipeline and Land Bank Replenishment

As at the Latest Practicable Date, the land bank of our Group was mostly located at Shatin in the New Territories, and Yau Tong in Kowloon. Depending on the market conditions, we plan to develop our land bank over several years. We will continue to replenish our land bank, with a focus on development projects at locations with easy access to public transport. As at the Latest Practicable Date, we had submitted a tender to the Urban Renewal Authority of Hong Kong to bid for a development site in Kowloon and had no intention to use the proceeds from the [REDACTED] to finance the acquisition of such development site.

### OUR PROPERTY INVESTMENT BUSINESS

We have been engaging in property investment business in Hong Kong since 1997. During the Track Record Period, we generated revenue from (i) the sale of acquired properties; (ii) recurring rental income from leasing our investment properties; and (iii) property management fee income, under our property investment business. Our properties for investment include commercial and industrial properties. As at the Latest Practicable Date, we held (i) eight investment properties comprising seven commercial properties and one industrial property, with a total value of HK\$598.5 million, valued by the Property Valuer as at 30 November 2015; and (ii) five acquired properties held for sale comprising four commercial properties and a parcel of land, with a total value of HK\$934.8 million, valued by the Property Valuer as at 30 November 2015. For recent development of the portfolio of our property investment business, please refer to the sub-section headed “Summary — Recent Developments and Material Adverse Change” in this [REDACTED].

Our investment properties principally comprise commercial properties which we hold for the purpose of capital appreciation in a long run. We generally lease our investment properties for recurring rental income during the period which we hold such properties for capital appreciation. We also acquire commercial properties, such as shops and car parking spaces, from the market for re-sell.

We may, depending on the property market and the return on investment, purchase additional properties and/or dispose of existing properties for our property investment business. Going forward, we intend to continue our investment in properties located in Hong Kong. Please refer to the sub-section headed “Our Business Strategies — Improve the mix of the portfolio for our property investment business” above in this section.

## BUSINESS

The following table breaks down our Group’s property investment portfolio that was valued by the Property Valuer by geography and based on GFA/SFA and by valuation as at 30 November 2015. All valuations cited are derived from “Appendix III — Property Valuation” to this [REDACTED].

	Acquired Properties Held for Sale			Properties Held for Investment			Total		
	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)	SFA (sq.ft.)	GFA (sq.ft.)	(HK\$ million)
Hong Kong Island	—	—	—	4,951	—	288.2	4,951	—	288.2
Kowloon	803	—	28.0	4,684	—	254.9	5,487	—	282.9
	(Note 3)			(Note 4)					
New Territories	936	242,689	906.8	1,224	—	55.4	2,160	242,689	962.2
	(Notes 2&3)	(Note 1)							
<b>Total</b>	<b>1,739</b>	<b>242,689</b>	<b>934.8</b>	<b>10,859</b>	<b>—</b>	<b>598.5</b>	<b>12,598</b>	<b>242,689</b>	<b>1,533.3</b>

Notes:

- Pursuant to a sale and purchase agreement entered into on 1 December 2015 between East Run, our wholly-owned subsidiary, as the vendor, Parentco as the vendor’s guarantor, and an Independent Third Party as the purchaser, the sale and purchase of the property comprising the shopping mall and car parking spaces in Riviera Plaza are expected to complete in February 2016 for a consideration of HK\$823.0 million. The GFA of such property does not include the car parking spaces.
- The SFA of properties held for sale located in the New Territories does not include the 137 car parking spaces in Shatin Centre and a parcel of land located in Yuen Long. Pursuant to a sale and purchase agreement entered into on 28 November 2015 between Kartix, our wholly-owned subsidiary, and an Independent Third Party for the disposal of the parcel of land located in Yuen Long for a consideration of HK\$1.2 million, we expect completion to take place on 28 December 2015.
- Pursuant to a sale and purchase agreement entered into on 13 November 2015 between East Run, our wholly-owned subsidiary, as the vendor, and a subsidiary of Wai Yuen Tong Medicine Holdings Limited as the purchaser, for the disposal of two shops located on Chuen Lung Street in the New Territories and Yen Chow Street in Kowloon for a total consideration of HK\$70.0 million. It is expected that completion of the sale and purchase will take place on 23 December 2015.
- The properties held for investment in Kowloon include a shop in 726 Nathan Road which has been leased to an Independent Third Party.

We seek to maintain long-term relationships with tenants and an appropriate balance in our tenant mix. We believe that our tenant selection criteria and tenant relationship management have played important roles in retaining our core tenants and sustaining high occupancy rates and rental income base. In assessing new tenancies, we take into consideration factors including the type of trade or business conducted by the tenant, brand attractiveness, rental affordability and the effect on the tenant mix of the particular investment property as a whole.

## BUSINESS

### Key Information of the Portfolio for Our Property Investment Business

Tables containing certain key information with respect to the portfolio of our property investment business, that were valued by the Property Valuer as at 30 November 2015 are set out below. The details below on the average monthly effective rent and average occupancy rates are for the six months ended 30 September 2015, which correspond to the date the last audited financial statements of our Group were made up to. To facilitate reference, the tables also show the valuations of the properties valued by the Property Valuer as at 30 November 2015. For details of the valuations of the properties valued by the Property Valuer as at 30 November 2015, please see “Appendix III — Property Valuation” to this [REDACTED].

Property	Location	Type of Property	Total SFA (sq.ft.)	Total GFA (sq.ft.)	Average Monthly Effective Rent for the six months ended 30 September 2015 (HK\$)	Average Occupancy Rate for the six months ended 30 September 2015	Leasehold Expiry (Year)	Expiry Date of Lease Term (Year)	Total Value as at 30 November 2015 (HK\$ million)	Page no. of “Appendix III — Property Valuation” to this [REDACTED]
<b>Hong Kong Island</b>										
Shop AB on Ground Floor, Po Wing Building, Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road, Nos. 108, 110, 112, 116, 118 & 120 Percival Street	Causeway Bay	Commercial	1,204	—	900,000	100%	2842	2018	241.0	III-5, III-11
Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road	Shau Kei Wan	Commercial	791	—	122,000	100%	2071	2016	30.4	III-5, III-9
8th Floor, Kingsun Computer Industrial Building, No. 40 Shek Pai Wan Road	Tim Wan	Industrial	2,956	—	—	0%	2128	N/A	16.8	III-5, III-10
<b>Kowloon</b>										
Ground Floor including Cockloft, Foon Shing Building, No. 732 Nathan Road	Mongkok	Commercial	2,495	—	200,000	100%	2078	2018	91.6	III-5, III-12
Shop 1 and 2 on Ground Floor, 726 Nathan Road, No. 726 Nathan Road	Mongkok	Commercial	1,857	—	415,000	100%	2078	2018	140.0	III-5, III-14
Shops A, B and C on Ground Floor of No. 111 Ma Tau Wai Road	To Kwa Wan	Commercial	332	—	60,000	100%	2049	2017	23.3	III-5, III-13
Ground Floor with the Cockloft, No. 60A Yen Chow Street (Note 1)	Sham Shui Po	Commercial	803	—	85,000	100%	2047	2016	28.0	III-6, III-20

## BUSINESS

Property	Location	Type of Property	Total SFA (sq.ft.)	Total GFA (sq.ft.)	Average Monthly Effective Rent for the six months ended 30 September 2015 (HK\$)	Average Occupancy Rate for the six months ended 30 September 2015	Leasehold Expiry (Year)	Expiry Date of Lease Term (Year)	Total Value as at 30 November 2015 (HK\$ million)	Page no. of “Appendix III – Property Valuation” to this [REDACTED]
<b>New Territories</b>										
Shop 3 on Level 1, Jade Plaza, No. 3 On Chee Road	Tai Po	Commercial	712	—	110,000	100%	2047	2016	20.0	III-6, III-16
Shop 6 on Ground Floor, Grandeur Garden, Nos. 14–18 Chik Fai Street, Nos. 55–65 Tai Wai Road	Shatin	Commercial	512	—	149,500	100%	2047	2017	35.4	III-5, III-15
137 Car Parking Spaces on Level 1 of the Podium, Shatin Centre, Nos. 2–16 Wang Pok Street	Shatin	Commercial	—	—	Nil	nil	2047	nil	162.7	III-7, III-24
Shop B on G/F including the Cockloft, Yan Oi House, No. 237 Sha Tsui Road, Nos. 87 & 89 Chuen Lung Street (Note 1)	Tsuen Wan	Commercial	936	—	106,250	100%	2047	2017	42.0	III-6, III-18–III-19
Commercial Unit and Car Parking Space on 1st and 2nd Basement of Riviera Plaza, Riviera Gardens, Nos. 1–9, 2–12 Yi Lok Street, Nos. 1–7, 2–12 Yi Hong Street (Notes 2 & 3)	Tsuen Wan	Commercial	—	242,689	209,000	100%	2047	N/A	700	III-7, III-25–III-26
Parcel of land of The Dawning Place, 92A-92G Yeung Uk Tsuen, Shap Pat Heung (Note 4)	Yuen Long	Land	—	—	Nil	nil	2047	nil	2.1	III-6, III-23
<b>Notes:</b>										
P.206.1 1.	Pursuant to a sale and purchase agreement entered into on 13 November 2015 between East Run, our wholly-owned subsidiary, as the vendor and a subsidiary of Wai Yuen Tong Medicine Holdings Limited as the purchaser, for the disposal of two shops located on Chuen Lung Street in the New Territories and Yen Chow Street in Kowloon for a total consideration of HK\$70.0 million. It is expected that completion of the sale and purchase will take place on 23 December 2015.									
P.206.2 2.	The GFA does not include car parking spaces on the 1st and 2nd basements of Riviera Plaza.									
P.206.3 3.	Pursuant to a sale and purchase agreement entered into on 1 December 2015 between East Run, our wholly-owned subsidiary, as the vendor, Parentco as the vendor’s guarantor, and an Independent Third Party as the purchaser, the sale and purchase of the property comprising the shopping mall and car parking spaces in Riviera Plaza are expected to complete in February 2016 for a consideration of HK\$823.0 million.									
P.206.4 4.	Pursuant to a sale and purchase agreement entered into on 28 November 2015 between Kartix, our wholly-owned subsidiary, and an Independent Third Party for the disposal of such parcel of land for a consideration of HK\$1.2 million, we expect completion to take place on 28 December 2015.									

## BUSINESS

### Description of the Portfolio for Our Property Investment Business

As at 30 November 2015, the following are the properties in our property investment portfolio, each of which had a carrying amount as at 30 November 2015 of 1% or more of our Group’s total assets as set out in Appendix I to this [REDACTED]:

#### **Shop AB on Ground Floor, Po Wing Building**

Po Wing Building is located on Percival Street in Causeway Bay on the Hong Kong Island. We acquired Shop AB on the ground floor of Po Wing Building in 16 February 2015. Shop AB is a retail shop with a SFA of approximately 1,200 sq.ft.

Pursuant to a tenancy agreement dated 18 February 2015 between Oriental Sino, our wholly-owned subsidiary, as the landlord and Wai Yuen Tong (Retail) Limited as the tenant, Shop AB had been leased for a term of three years with a monthly rent of HK\$900,000.

#### **Shop 1 and 2 on Ground Floor, 726 Nathan Road, No. 726 Nathan Road**

The property is located on the ground floor of No. 726 Nathan Road in Mongkok, Kowloon, which is a Ginza-style commercial building re-developed by our Group during the Track Record Period. The SFA of the property is approximately 1,900 sq.ft.

Pursuant to a tenancy agreement dated 2 December 2014 between City Target, our wholly-owned subsidiary, as the landlord and an Independent Third Party as the tenant, the property had been leased for a term of four years with a monthly rent of HK\$415,000.

#### **Ground Floor including Cockflost, Foon Shing Building, No. 732 Nathan Road**

Foon Shing Building is located in Mongkok, Kowloon. We acquired the retail space on the ground floor of Foon Shing Building with a SFA of approximately 2,500 sq.ft. in August 2010.

Pursuant to a tenancy agreement dated 29 January 2015 between Antic Investment, our wholly-owned subsidiary, as the landlord and an Independent Third Party as the tenant, the property had been leased for a term of three years with a monthly rent of HK\$200,000.

#### **Commercial Unit and Car Parking Space on 1st and 2nd Basement of Riviera Plaza**

Riviera Plaza is a shopping mall located in Tsuen Wan, New Territories, which was acquired by our Group in July 2013 with an aim to refurbish it into an neighbourhood mall. At the time of acquisition, Riviera Plaza had a GFA of approximately 243,000 sq.ft., with two-storey underground car parking facilities.

## **BUSINESS**

As at the Latest Practicable Date, Riviera Plaza was vacant. Pursuant to a sale and purchase agreement dated 1 December 2015 between East Run, our wholly-owned subsidiary, as the vendor, Parentco as the vendor’s guarantor, and an Independent Third Party as the purchaser, the sale and purchase of the property comprising the shopping mall and car parking spaces in Riviera Plaza are expected to complete in February 2016 for a consideration of HK\$823.0 million.

### **Car parking spaces in Shatin Centre**

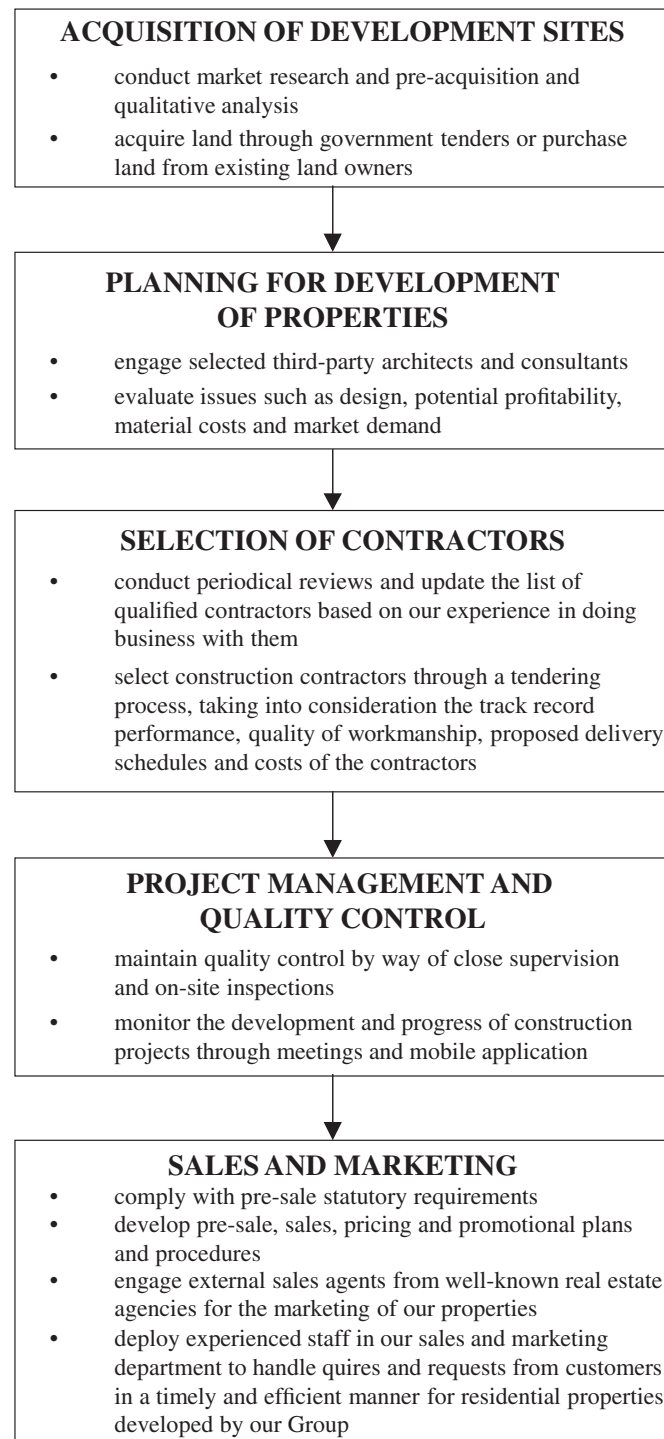
We acquired 137 car parking spaces in Shatin Centre on 30 November 2015. We intend to hold these car parking spaces for sale. As Shatin Centre is a residential estate with eight blocks of 27-storey residential towers, we believe that the demand for car parking spaces in Shatin Centre is high. As at the Latest Practicable Date, we had sold 36 car parking spaces for an aggregate consideration of approximately HK\$39.4 million.



## BUSINESS

### OUR PROPERTY DEVELOPMENT WORKFLOW

The following chart sets out our workflow, illustrating the key stages of our business operation in respect of the development of properties, which include (i) acquisition of development sites; (ii) planning for development of properties; (iii) selection of contractors; (iv) project management and quality control; and (v) sales and marketing:



## **BUSINESS**

### **Acquisition of Development Sites**

Our development sites are obtained either through government tenders and purchasing from existing land owners. The decisions relating to the acquisition of development sites are made by our Board upon the recommendations of the general manager of our sales and marketing department after considering proposals presented by a project management team comprising members from our acquisition department, project department, quantity surveying department, sales and marketing department, and finance department.

As at the Latest Practicable Date, our acquisition, quantity surveying and project departments comprising professionally qualified surveyors, is responsible for pre-acquisition evaluation such as conducting site inspections, and carrying out quantitative and qualitative analyses to determine the development feasibility and potential profitability. Based on the findings in macroeconomic and site-specific analyses in respect of each development site, a preliminary building design scheme and the respective building layout plans will be prepared by the acquisition team and the quantity surveying team will estimate the costs for the proposed new development. A budget for each proposed new development will be prepared and a maximum bid price for a particular development site will then be determined based on the estimated construction costs and the target profit margin. Where appropriate, assistance will be sought from the external consultants, (for example, architects, engineers, land consultants and surveyors) on issues relating to technical, engineering, design and material costs.

The key factors considered when carrying out development site acquisition are the development site’s location, site specific supply and demand conditions, town planning policies, the neighbourhood in which the development site is located, accessibility of the development site by key modes of transportation, the availability of infrastructure or public facilities and certain other features which may enhance or detract from the value of the development site. When entering into a new district, our Group considers numerous factors, including general local economic conditions, income levels and purchasing power of the local residents, potential market growth, completion of the district’s development plans and the relevant government policies that may affect the district.

Our professionally qualified surveyors carry out project valuations and are also responsible for all valuations with respect to feasibility studies, acquisitions and land premiums.

### **Planning for the Development of Properties**

The development process for each proposed new development is also managed by a project management team comprising members from our project department, quantity surveying department, sales and marketing department, and finance department. Issues such as the feasibility, potential profitability, design, material costs, project management, financing, market demand and property management for each proposed new development are evaluated by the team for the development of the project.

The development process begins when a potential development site has been identified. The project management team then formulates an investment plan taking into account the expected return on investment and coordinates with the various departments and consultants to carry out a more in-depth study before a final development plan is sent to the management team for their review and approval.

## BUSINESS

When drawing up development plans, the project management team will consider factors including (i) the construction methods used; (ii) certain site-specific characteristics, such as views from the development site, accessibility to the development site, noise level around the development site and the neighbourhood of the development site; (iii) the findings from macro market research (involving studies on the local economy, policies, planning and development and property demand and supply in the region); (iv) the master layout plan design for the development; and (v) the financial modelling based on specific development parameters.

### **Selection of Contractors**

We outsource all of the construction-related work for our property development projects to independent construction companies selected by us based on a set of internal criteria. We maintain a list of qualified construction companies which fulfilled the pre-qualifications determined by our Group (including the financial positions and corresponding experience of the construction companies, and professional qualification and permits held by the construction companies) and periodically review and update such list based on our experience in doing business with them. Since engagement of construction companies is project specific, we usually assess and select companies to contract with through tender process, taking into consideration, among other things, their backgrounds, track record performances, quality of workmanship, proposed delivery schedules and costs of the contractors. Apart from our list of qualified construction companies, we also consider referrals from our construction consultants.

Construction contracts we entered into with the selected construction companies contain certain warranties provided by the construction companies with respect to quality and safety requirements, and timeliness of the construction. The contracts also contain payment terms. We are usually required to make monthly payments with reference to the amount of work done at a particular construction site in a particular month, which is certified by the authorised person. The credit period granted to our Group is generally 30 days. During the Track Record Period, payments to our Group’s contractors were settled mainly by bank transfers and cheques.

Our contractors are generally responsible for procuring construction materials and materials for external finishes to be used, such as concrete, cement and steel bar. For materials for interior finishes and interior fittings, and appliances for our property development projects, our purchasing team in the quantity surveying department will seek quotes from different suppliers for each item in the market based on the requirement and directions of the sales and marketing department. Since the contract sum as stipulated in the construction contracts with our contractors is fixed, the risk of price fluctuations of the raw materials, including the construction and decoration materials, is usually borne by our contractors. Further, our contractors are also responsible for any quality issues and complaints in relation to construction and construction-related work and liable for defects during the defects liability period. A defects liability period is typically a fixed period of time after a construction project has been completed during which a contractor has the responsibility to rectify any defects identified within a reasonable time. Cost control and construction progress are monitored during the construction period with close on-site supervision and quality control procedures. We also monitor the development and progress of construction projects through meetings and a mobile application. We also have strict measures to ensure the quality of the materials sourced by our contractors. For details on the quality control measures adopted by our Group, please see the sub-section headed “Project Management and Quality Control” below in this section.

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We maintain a list of qualified construction companies for our property development projects in an effort to avoid reliance on any single contractor and to avoid unexpected disruptions to the development of our properties. To the extent possible and subject to prevailing market conditions, any increase in the prices of goods and services supplied will have to be reflected in the property prices. For example, an increase in construction supplies may result in an increase in property prices. In the event that any of our existing suppliers is no longer able to supply goods and services to us or suddenly increases the prices of goods and services supplied, we believe we will be able to identify suitable replacement suppliers with comparable quality and prices in a timely manner. During the Track Record Period, we did not experience any material interruptions to our property development projects.

### **Project Management and Quality Control**

As at the Latest Practicable Date, our quality assurance team had 5 members. The quality assurance personnel are experienced in quality control, and are trained to carry out construction inspection and monitor quality assurance. The quality assurance personnel are generally project-related professional staff whose areas of expertise include mechanical and electrical engineering, building technology and construction management. Some of the quality assurance personnel hold professional memberships in The Chartered Institute of Building and The Hong Kong Institute of Construction Manager. In addition, we encourage our quality assurance team to have regular training regarding quality control standards and procedures.

We place great emphasis on the quality control and inspection of the construction of our properties, including the procurement of construction materials, materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects, to ensure compliance with our quality standard. We believe in maintaining the quality of our development properties. Our quality control is carried out starting from the pre-development phase of our development properties through to the post-development phase.

#### *Pre-Development Phase*

As described in the sub-section headed “Suppliers” below in this section, we maintain a list of qualified construction companies. Our quantity surveying department conducts pre-qualification checks on the construction companies and periodically reviews and updates such list based on our experience in doing business with them. Construction companies are assessed and selected based on various factors including their qualifications, financial strength, experience in projects of similar scale and nature, track record in respect of quality and safety, and price quotations.

Further, our contractors are generally responsible for procuring construction materials, materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects. For materials for interior finishes and interior fittings, and appliances, our contractors are required to procure from the suppliers selected by us to ensure that such materials meet our requirements and specifications.

#### *Development Phase*

Our project department monitors the property development and progress of the construction projects. Our project department and our quality assurance team are responsible for monitoring the construction projects and implementing quality control measures for construction works on site.

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Our quality assurance team implements on-site construction audits during the construction period, inspect during the handover period, and monitor rectification works for any liable defects during the maintenance/defects liability period of the construction projects.

Our quality assurance team performs regular construction audits on our properties under construction. Areas of material non-compliance relating to construction details, procedures, activities and practices are identified and alerted to the relevant contractors, electrical and mechanical engineer or construction consultants with responsibility for addressing these areas. Monitoring for such non-compliant practices is carried out so as to minimise possible compliance cost and ensure optimum quality. We implement a pro-active approach and preventative measures. Regular review of the construction progress and details in project meetings on a cross-project basis would also be made. When there are incidents of non-compliance requiring remedial work, our professional project department is required to address the corrective and preventive actions on a case-by-case basis.

In May 2015, we launched a mobile application to monitor the progress and workmanship on construction sites. Our quality assurance team members who station at the construction sites of our development projects monitor the sequence of work, progress and workmanship at the construction sites. Daily reports and photos of the construction sites are submitted to the management by our quality assurance team members through the mobile application.

### *Post-Development Phase*

For residential properties developed by our Group, our quality assurance team and sales and marketing department are responsible for the execution of the cross-departmental guidelines in carrying out re-examination and re-inspection of properties before the handover of properties to purchasers.

Our dedicated sales and marketing department works with our quality assurance team to handle queries and requests from customers in a timely and efficient manner in order to ensure good customer and after-sales service. We generally provide a warranty of at least six months for our self-developed properties. During the Track Record Period, we did not incur any material warranty expense for the properties developed by us.

### **Sales and Marketing**

The sale of our residential properties are organised by our in-house sales and marketing department. Our sales and marketing department is primarily responsible for organising promotional campaigns and events to publicise and raise awareness of the properties and liaising with customers in the sale and purchase process. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material delays in delivering our properties in accordance with the sale and purchase contracts.

In Hong Kong, the sale of development properties typically takes place before their completion. After the necessary government approval for pre-sales has been obtained, our sales and marketing department is involved in the setting up of show flats and a pre-sales office for the public to obtain more information about the property project.

We also engage external sales agents from well-known real estate agencies for the marketing of our properties. Our Group closely follows the prevailing market conditions in formulating our pricing and marketing strategies. Our pricing strategies are based on various factors, including the orientation of

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the property, view from the property, and popularity of the layout of the units within the property. We adjust the weight of these factors based on customer preferences in the districts in which our development properties are located.

Our marketing strategies include the following elements:

- **Product:** We will design and build the products that are in line with the preferences of our customers in different districts.
- **Pricing:** We set our pricing in accordance with the prevailing market conditions as well as the potential customers’ affordability.
- **Promotion:** We design and implement a wide range of promotional activities to reach out to potential customers’ in different districts including advertising (such as print and online advertising), promotional events, roadshows and direct marketing.
- **Sales Channels:** We aim to expand and optimise the coverage of the potential customer segments by using our internal sales team and external sales agents.

Our Group recognises good customer and after-sales service are keys to the success and sustainability of a corporation. Following this belief, we designate certain experienced sales and marketing staff to handle queries from customers in a timely and efficient manner for residential properties developed by our Group.

With the assistance of our sales and marketing team, our quality assurance team is responsible to execute the cross-departmental guidelines in carrying out re-examination and re-inspection of properties prior to the handover of properties to purchasers. Further details of our quality assurance team are described in the sub-section headed “Quality Control” above in this section.

### OUR PROPERTY INVESTMENT PROCESS

We generally acquire properties from the market to hold for sale and investment purposes. Our acquisition team closely monitors the trends and movements of the property market and the macro economy in Hong Kong, and keep abreast of the latest developments of any governmental policies and regulations in relation to the property market. Before acquiring a property, our acquisition team will study, among other things, (i) the supply and demand; (ii) the location; (iii) the prevailing market rate, of such property, before presenting a proposal to our Board.

The leasing of properties that we intend to hold for a longer period of investment for capital appreciation, is organised by our in-house leasing department. The leasing department is involved in tenancy negotiations and overseeing the investment property portfolio of our Group. Third party real estate agents also from time to time introduce new tenants to our Group’s investment properties. The agents’ fees vary across different properties and at different times, depending primarily on the occupancy level of our property in question and the prevailing agency fee offered by our major competitors at the time. Assessments of market rent are conducted from time to time, having regard to market demand, existing competition and economic factors. As we adopt a flexible investment approach,

## **BUSINESS**

we may, depending on the property market and the return on investment, dispose of properties that we initially intended to hold for a longer period of investment. Customer service hotlines and counters are set up to seek comments or handle queries from the tenants.

For properties we acquired from the market, which we intend to be re-sold within a short period of time, our acquisition department will work closely with external sales agents, and will report to our Board when the return on investment, usually above 10%, is reached. Our Board will make decisions for the disposal of such properties, after taking into account, among other things, the return on investment, the development of the property market, the capital need of our Group and the opportunities for other property investments.

## **SUPPLIERS**

Our Group’s major suppliers during the Track Record Period are based in Hong Kong, consisting mainly of the Hong Kong Government, the owner of development site, construction companies which provide construction, foundation and demolition works, and a firm of architects. During the Track Record Period, we outsourced all of the construction-related work for our property development projects to independent construction companies. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, acquisition cost of land/properties and cost of services certified by authorised person attributable to our five largest suppliers accounted for approximately 97.2%, 92.2%, 98.9% and 68.7% of our total acquisition cost of land/properties and cost of services certified by authorised person, respectively.



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The following table sets out the profile of our five largest suppliers based on the aggregation of acquisition cost of land/properties and cost of services certified by authorised person attributable to them during the Track Record Period:

### For the Year Ended 31 March 2013

Rank	Our supplier	Principal business activities	Year of first cooperation	% of total acquisition cost of land/properties and cost of services certified by authorised person	Relationship with our Group
1	Supplier A	Investment holding	2013	83.5%	Supplier of a development site
2	Supplier B	Provision of construction works	2011	5.5%	Provider of construction works
3	Supplier C	Provision of construction works	2011	3.9%	Provider of foundation/demolition works
4	Supplier D	Provision of foundation works	2012	2.9%	Provider of foundation works
5	Supplier E	Provision of engineering services	2011	1.4%	Provider of foundation works

### For the year ended 31 March 2014

Rank	Our supplier	Principal business activities	Year of first cooperation	% of total acquisition cost of land/properties and cost of services certified by authorised person	Relationship with our Group
1	Supplier F	Provision of construction works	2012	36.6%	Provider of construction works
2	Supplier B	Provision of construction works	2011	24.3%	Provider of construction works
3	Supplier G	Provision of building construction works	2013	15.5%	Provider of construction works
4	Supplier C	Provision of construction works	2011	10.0%	Provider of construction works
5	Supplier H	Provision of general construction works	2013	5.8%	Provider of construction works

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### For the year ended 31 March 2015

Rank	Our supplier	Principal business activities	Year of first cooperation	% of total acquisition cost of land/properties and cost of services certified by authorised person	Relationship with our Group
1	Hong Kong Government	Government	—	91.2%	Supplier of land
2	Supplier H	Provision of general construction works	2013	3.9%	Provider of construction works
3	Supplier G	Provision of building construction works	2013	3.4%	Provider of construction works
4	Supplier F	Provision of construction works	2012	0.2%	Provider of construction works
5	Supplier I	Provision of architectural services	2010	0.2%	Provider of architectural services

### For the six months ended 30 September 2015

Rank	Our supplier	Principal business activities	Year of first cooperation	% of total acquisition cost of land/properties and cost of services certified by authorised person	Relationship with our Group
1	Supplier J	Provision of engineering services	2015	31.5%	Provider of foundation works
2	Supplier H	Provision of general construction works	2013	16.0%	Provider of construction works
3	Supplier K	Provision of construction works	2015	9.6%	Provider of foundation works
4	Supplier C	Provision of construction works	2011	7.1%	Provider of foundation works
5	Supplier B	Provision of construction works	2011	4.5%	Provider of construction works

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For the year ended 31 March 2013, the total acquisition cost of land/properties attributable to our largest supplier, which sold the development site at 575 Nathan Road to our Group, accounted for approximately 83.5% of the total acquisition cost of land/properties and cost of services certified by authorised person of our Group. For the year ended 31 March 2014, the total cost of services certified by authorised person attributable to our largest supplier, which provided construction services to our Group, accounted for approximately 36.6% of the total acquisition cost of land/properties and cost of services certified by authorised person of our Group. For the year ended 31 March 2015, the total acquisition cost of land/properties attributable to our Group’s largest supplier, which was the Hong Kong Government, accounted for approximately 91.2% of the total acquisition cost of land/properties and cost of services certified by authorised person of our Group. For the six months ended 30 September 2015, the total cost of services certified by authorised person attributable to our Group’s largest supplier, which provided foundation services to our Group, accounted for approximately 31.5% of the total acquisition cost of land/properties and cost of services certified by authorised person of our Group.

Our five largest suppliers during the Track Record Period are Independent Third Parties and, to the best knowledge and belief of our Directors, none of our Directors or their close associates or any Shareholders (which to the knowledge of our Directors beneficially own more than 5% of our Shares) had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Most of our major suppliers including construction companies during the Track Record Period were in general engaged by us on project-basis, the engagements of which generally lasted for over one year. Save for the suppliers of development sites, which do not grant any credit term, our suppliers in general grant us a credit term of 30 days, and we settle our payment mainly by bank transfers and cheques.

### **REAL ESTATE AGENCIES**

While our sales and marketing department is in charge of the overall marketing planning and strategies, our Group also engages real estate agencies for the sale and marketing of all of our development projects. Generally, we engage real estate agencies on a project basis for the pre-sale of a development project. The terms of our standard agency agreement include, among other things, the detailed scope of services to be provided by the real estate agency, the calculation of sales commissions and the payment terms. Our real estate agencies have a discretion in deciding the points of sale, apart from the location of our show flats, for each project. In order to monitor the performance of our real estate agencies, we arrange daily meetings with our real estate agencies during the beginning stage of the pre-sale of each project. Staff members from our sales and marketing department would also station at our show flats and points of sale to understand our customers’ needs and preferences, monitor the performance of our real estate agencies, and to ensure that our properties are properly presented.

For the years ended 31 March 2013, 2014, 2015 and the six months ended 30 September 2015, the total sales commissions we paid to our real estate agencies and charged to profit and loss account amounted to approximately HK\$27.5 million, HK\$46.0 million, HK\$54.9 million and HK\$24.2 million, respectively.

During the Track Record Period, all of the real estate agencies engaged by our Group were Independent Third Parties.

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### **CUSTOMERS**

Our major customers are purchasers of our commercial and residential properties in Hong Kong. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, revenue from our five largest customers accounted for approximately 39.9%, 37.1%, 28.1% and 17.5% of the total revenue of our Group, respectively, and revenue from our single largest customer accounted for approximately 12.2%, 15.1%, 9.1% and 7.3% of the total revenue of our Group for the same periods.

For the year ended 31 March 2013, the total revenue attributable to our largest customer, which is a purchaser of a shop in Grandeur Terrace, accounted for approximately 12.2% of the total revenue of our Group. For the year ended 31 March 2014, the total revenue attributable to our largest customer, which is a purchaser of 1/F–2/F of 726 Nathan Road, accounted for approximately 15.1% of the total revenue of our Group. For the year ended 31 March 2015, the total revenue attributable to our largest customer, who is the purchaser of two floors in 726 Nathan Road, accounted for approximately 9.1% of the total revenue of our Group. For the six months ended 30 September 2015, the total revenue attributable to our largest customer, which is a purchaser of a shop in The Met. Delight, accounted for approximately 7.3% of the total revenue of our Group.

Our five largest customers during the Track Record Period are Independent Third Parties and, to the best knowledge and belief of our Directors, none of our Directors or their close associates or any Shareholders (which to the knowledge of our Directors beneficially own more than 5% of our Shares) had any interest in any of the five largest customers of our Group during the Track Record Period.

During the Track Record Period, our Group’s major customers consisted mainly of purchasers of development properties.

### **PROPERTY VALUATION**

A full list of the properties held and leased by our Group as at 30 November 2015 and a summary of the values of such properties issued by the Property Valuer are set out in “Appendix III — Property Valuation” to this [REDACTED]. The full property valuation report issued by the Property Valuer is available for inspection as described in the section headed “Documents Available for Inspection” in Appendix VI to this [REDACTED].

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A reconciliation of the net book value of the properties as at 30 September 2015 (as stated in the accountants’ report as set out in Appendix I to this [REDACTED]) to their fair value as at 30 November 2015 (as stated in “Appendix III — Property Valuation” to this [REDACTED]) is set out below:

	<i>HK\$ million</i>
Net book value as at 30 September 2015	
Investment properties	1,146.5
Properties under development	2,737.1
Properties held for sale	<u>75.5</u>
 Total combined net book value as at 30 September 2015	 3,959.1
Net changes during the period from 1 October 2015 to 30 November 2015 ( <i>Note</i> )	 <u>138.7</u>
 <b>Total</b>	 <b>4,097.8</b>
 Add: Valuation surplus	 <u>401.8</u>
 Gross valuation as at 30 November 2015 as set out in “Appendix III — Property Valuation” to this [REDACTED]	 <u><u>4,499.6</u></u>
 Gross valuation attributable to our Group	 <u><u>3,985.6</u></u>

*Note:* Includes additions and disposals during the period from 1 October 2015 to 30 November 2015.

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### Valuation Approach and Key Assumptions

The following information is extracted from the property valuation reports of the Property Valuer set out in “Appendix III - Property Valuation” to this [REDACTED]. You should note that the market values of the properties prepared by the Property Valuer were based on certain assumptions which may be subject to changes and may not be realised. For further details, please see the paragraph headed “Risk Factors — Risks Relating to Our Group and Our Business — The appraised values of our properties may be different from the actual realisable value”.

Property Group	Market Value in existing state attributable to our Group as at 30 November 2015 (HK\$ million)	Valuation approach and key assumptions	Page no. of “Appendix III — Property Valuation” to this [REDACTED]
Group I — Properties held by our Group for investment	598.5	<b>Investment Approach</b> on the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary potential of the property or by reference to comparable market transactions. <ul style="list-style-type: none"> <li>Market unit rent per month of HK\$143 to HK\$748.0 on SFA basis</li> <li>Capitalisation rate of 2.62% to 6.6%</li> </ul>	III-5 to III-6, III-9 to III-16
Group II — Properties held by our Group for sale	1,026.1	<b>Direct Comparison Approach</b> where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at the valuation. <ul style="list-style-type: none"> <li>Market Unit Price <ul style="list-style-type: none"> <li>HK\$6,218 to HK\$72,165 on SFA basis</li> <li>HK\$1,187,299 per Car Parking Space</li> <li>HK\$2,884 on GFA basis (only for the commercial unit and car parking spaces in Riviera Plaza, Property No. 16 in Appendix III to this [REDACTED])</li> </ul> </li> </ul>	III-6 to III-7, III-17 to III-26
Group III — Properties under development	1,991.0	<b>Direct Comparison Approach</b> where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at the valuation. <ul style="list-style-type: none"> <li>Market Unit Price of HK\$4,021 to HK\$16,895 on GFA basis</li> </ul>	III-7, III-27 to III-30

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Property Group	Market Value in existing state attributable to our Group as at 30 November 2015 (HK\$ million)	Valuation approach and key assumptions	Page no. of “Appendix III — Property Valuation” to this [REDACTED]
Group IV — Properties held by our Group for future development	370	<b>Direct Comparison Approach</b> where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at the valuation.  ● Market Unit Price of HK\$1,362 on GFA basis	III-8, III-31 to III-32
Group V — Properties rented by our Group	No commercial value	N/A	III-8, III-33

## MARKET AND COMPETITION

According to the DTZ Market Report, the property market in Hong Kong has traditionally been dominated by a few large-scale local developers which are listed on the Stock Exchange. However, there has been a growing number of small-to-medium listed companies and private companies which participate in the property market in the past decade. In recent years, developers based in China have also entered into the Hong Kong property market and are active in the Hong Kong property market. According to the DTZ Market Report, based on the total residential units pre-sold from January 2011 to September 2015, the top five property developers listed on the Stock Exchange together accounted for approximately 80.7% of the total number of pre-sold residential units from January 2011 to September 2015. Despite the competitive environment, our Directors believe we have been able to achieve satisfactory sales. For more information on the industry in which our Group operates, please see the section headed “Industry Overview” in this [REDACTED].

Our Group competes with other property developers in bidding for development sites at government tenders as well as in private sales of prospective development sites. Once it has developed a property, our Group competes with other property developers for purchasers. With respect to tenants, our Group competes primarily based on the quality and location of the properties we hold.

Despite the competitive environment, we have been able to achieve satisfactory sales and maintain high average occupancy rates for our investment properties. Our Directors believe this is partly due to our brand, the strategic locations of our properties and the quality of our properties.

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We intend to expand our market share as a property developer in Hong Kong and create value for our Shareholders through (i) continuing to focus predominately on developing residential and commercial properties in locations accessible by public transportation; (ii) maintaining a prudent land bank strategy; (iii) improving the mix of the portfolio for our property investment business; (iv) promoting our brand recognition in Hong Kong; and (v) continuing to attract, retain and motivate skilled and talented workforce. Our competitive strengths include the following:

- we have been successful in establishing “The Met” brand in Hong Kong;
- we have a broad range of properties for development and investment;
- we maintain stringent quality and cost control policies;
- we have an experienced and stable management team which is able to understand the needs and preferences of the target buyers of our properties and the target tenants of our properties, and respond swiftly to market demand;
- we have an established business model where we strategically hold selected properties for investment for recurring rental income and capital appreciation; and
- we have established long-term relationships with well-known real estate agencies and have acquired quality properties for investment.

Details of our Group’s competitive strengths are set out in the sub-section headed “Our Competitive Strengths” in this section.

## CORPORATE SOCIAL RESPONSIBILITY

While we endeavour to promote business development and strive for greater rewards for our Shareholders, we acknowledge our corporate social responsibility to share some burden in building the society where our business has been established and thrived. During the Track Record Period, our Group made charity donations to organisations included Yan Oi Tong, Hong Kong New Arrivals Services Foundation Limited, Live In Harmony Fund Limited and Chi Lin Nunnery. In light of the ever greater disparity between rich and poor in Hong Kong society developed in recent years, people from the lower class face escalating pressure in making a living. Years of this group of people are not only on tangible resources and financial support, but also care and respect from the general public.



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### EMPLOYEES

As at the Latest Practicable Date, we had 56 full-time employees in Hong Kong. A breakdown of our employees by function as at the Latest Practicable Date is set forth below:

Function	As at the Latest Practicable Date
Management	3
Acquisitions Department	4
Project Department	8
Quantity Surveying Department	6
Quality Assurance Department	5
Leasing Department	2
Finance Department	7
Sales and Marketing Department	6
Administration, Human Resources, Information Technology and Legal Departments	15
<b>Total:</b>	<b><u>56</u></b>

Our employees are our important asset and the primary driving force for our sustainability and growth. We generally recruit our employees from the open market via various channels such as recruitment advertisements, executive search networks and referrals from our employees. In pursuing greater diversity in the workforce, we advocate equality irrespective of gender, age, disability, marital status, pregnancy, family status, sexual orientation and race, as outlined in our employee handbook.

To help nurture professional talents and to promote overall efficiency, employee loyalty and retention as well as to enable individuals to perform current or future jobs successfully, we provide both on-the-job and external training which include staff orientation on the first day of joining us, anti-corruption training, first-aid training together with professional membership reimbursements, etc. To help nurture promising young talent, we have a management trainee programme. Such two-year management trainee programme identifies some high performing candidates each year and provides them with training opportunities and exposure to a diverse range of projects and practical experience, and is designed to facilitate personal and career development.

We offer fair, equitable and competitive remuneration packages to our employees. In addition to salaries, we provide discretionary bonuses based on individual performance and our business performance, medical insurance coverage and a wide range of leave entitlements, such as annual leave, full-pay sick leave, marriage leave, maternity leave, paternity leave, compassionate leave and examination leave. We also provide a defined contribution to the Mandatory Provident Fund (“MPF”) as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. To show our gratitude to the continuous efforts of our employees, we also offer long serving employees awards to those who served our Group for a long time as a token of appreciation.

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We incurred employee benefit expenses (including salaries, directors’ remuneration and pension scheme contributions) of approximately HK\$51.0 million, HK\$74.2 million, HK\$98.5 million and HK\$50.8 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively.

We place great emphasis on performance assessment and communication mechanism. Reporting and feedback mechanism have been in place to regularly review the performance of our employees. We make reference to such performance reviews in determining employees’ discretionary bonus, salary review and promotional appraisal, in order to attract and retain talented employees.

We recognise the importance of employee well-being in ensuring consistent performance at work. We continued to organise work-life balance activities and training to improve our employees’ physical and mental health, such as cooking class, bakery class, yoga class, outings, etc. We are committed to maintain good working relationship with our employees. There had not been any labour strike within our Group during the Track Record Period and up to the Latest Practicable Date.

## **ENVIRONMENTAL MATTERS**

We have taken measures to promote environmental-friendliness of our workplace by encouraging paper-recycling culture and energy-saving culture within our Group. For examples, office lighting is automatically switched off during lunch time and at 6:30 p.m. on working days and notices are placed near air-conditioner switches to remind our staff to save energy.

Our Group also participated in the BEAM Plus assessment scheme, a comprehensive environmental assessment scheme for buildings recognised by the Hong Kong Green Building Council, for the development of some of our properties, including The Met. Delight and the Hang Kwong Street Project, by engaging a third-party consultancy company for the provision of services in respect of BEAM Plus Certification and other environmental assessments.

During the Track Record Period, we outsourced all of the construction-related work for our property development projects to independent construction companies. Our contractors in relation to our property development business are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control, drainage control and noise control.

During the Track Record Period, none of our properties received any material fines or penalties associated with the breach of any environmental laws or regulations.

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### INTELLECTUAL PROPERTY

We use the brand name of “~~the~~<sup>met</sup>” in marketing our self-developed residential properties to potential purchasers and intend to use the brand name of “~~LADDER~~” in marketing our self-developed commercial properties to potential purchasers and their respective potential tenants. As at the Latest Practicable Date, we had applied for the registration of the above two trade marks in Hong Kong. Further details of such intellectual property rights are set out in the section headed “Statutory and General Information — B. Further Information about the Business — 2. Intellectual Property Rights” set out in Appendix V to this [REDACTED].

During the Track Record Period, we were not involved in any dispute or infringement of intellectual property rights. As at the Latest Practicable Date, we were not aware of any material infringement (i) by our Group of any intellectual property rights owned by any third parties, or (ii) by any third party of any intellectual property rights owned by us, that would constitute material adverse impact to our operations.

### INSURANCE

Our Directors consider that our properties, completed and under development, are in general insured to standards in line with industry practice in Hong Kong. In addition to statutory required insurances, our Group purchases other insurances, where our management considers necessary, to cover the major risks identified by our Group. The principal insurances in place for completed properties are property all risks insurance and third party liability insurance. The principal insurances in place for our properties under development are contractors all risks insurance. The principal insurances in place for our investment properties are property all risks insurance.

We review our insurance policies from time to time. During the Track Record Period, there were no significant or unusual excess or deductible amounts under these policies and our Directors are of the view that the insurance coverage under these policies is adequate and customary for our industry.

However, there may be certain risks for which our Group is not insured and may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our Group’s business operations. For further details, please see the paragraph headed “Risk Factors — Risks Relating to Our Group and Our Business — We may suffer losses arising from uninsured risks” in this [REDACTED].

Upon the [REDACTED], our Company intends to purchase and maintain insurance for our Directors and certain officers against liabilities to third parties that may be incurred in the performance of their respective duties.

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### **HEALTH AND SAFETY**

We are subject to the health and safety requirements in Hong Kong. We have internal policies and systems in place designed with a view to implementing and ensuring compliance with such requirements. We believe that we were in compliance with such requirements during the Track Record Period and up to the Latest Practicable Date in all material respects. Our liability to our employees is covered by insurance, which we are required by law to have. We do not have an insurable interest in relation to the employees of our contractors. Our contractors are required by applicable laws to have insurance which covers their liabilities to their employees.

First-aid training and annual medical checks are also provided to employees in certain job positions. Besides, safety consultants are engaged to carry out routine inspections of the safety conditions on construction sites. To ensure hygienic working conditions, cleaning of air-conditioning systems and disinfection treatment of carpets are carried out at regular intervals.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material safety accident. There were no material claims for personal or property damages and no material compensation was paid to our employees in respect of personal or property damages.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

A summary of the key laws and regulations which are applicable to our Group’s operations is set out in the section headed “Regulatory Overview” in this [REDACTED]. During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

#### **Matters relating to some of our properties**

During the Track Record Period, there were instances of non-compliance with building-related statutory provisions in respect of three of our properties held for investment which include:

(i) **Property A:**

A fire safety compliance order in relation to the installation of sprinkler system was issued to one of the subsidiaries of our Group and such subsidiary was fined for HK\$1,000 for failure to comply with a fire safety direction within the prescribed timeframe. An application to the Fire Services Department for exemption from compliance with the fire safety direction is being prepared and is subject to the final approval of the authority.

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(ii) Property B:

A notice was issued to all owners of the building (where our Group holds a shop on the ground floor and an ancillary cockloft) requiring all owners to carry out a statutorily prescribed inspection (and repair, if necessary) in respect of windows in the common parts of the building. The subject matter of the notice has been rectified and the Buildings Department has issued a letter certifying compliance which is pending registration at the Hong Kong Land Registry.

(iii) Property C:

- (a) An order was issued to all owners of the building (where our Group holds three shops on the ground floor) ordering removal of a structure and canopy attached to the external wall of the entrance of the building and reinstatement of the parts of the building so affected. The said work has been completed by government consultant/contractor appointed by the Building Authority and a notice of completion was issued stating that the co-owners are responsible for the costs of work done. Taking into account the nature and extent of the work done, our Directors estimate that the portion of rectification costs to be borne by our Group will not exceed HK\$15,000.
- (b) A fire safety direction was issued to all owners of the building (where our Group holds three shops on the ground floor) directing the compliance with certain fire safety construction requirements including requirements in respect of exit route and windows. An application to the Fire Services Department for exemption from compliance with the fire safety direction is being prepared and is subject to the final approval of the authority.

The existence of the above issues do not prevent the subject property from being bought, sold or being suitable for acceptance by banks as security for mortgage loans under Hong Kong law. Whether a purchaser accepts title to these properties subject to such issues, or seeks to exercise the right to refuse completion, may be driven by that purchaser's perception as to how the property market will perform in the future. If a person does not contractually agree to purchase the property subject to such issues, no sale may occur. If a person is prepared to accept such issues on the property, the sale will proceed. Generally, upon the completion of the sale and purchase of a property (i.e. upon the tender of the relevant deed of assignment duly executed by the purchaser and payment of the balance of the purchase price to the vendor), the purchaser is deemed to have accepted title of a property, be it “good title” or otherwise, and absent fraud or specific contractual agreement otherwise, there is no right of rescission of a completed contract of sale and purchase of a property.

In our Directors' view, given that (i) the notice and most of the directions and orders as disclosed above are issued to all owners of the relevant buildings; (ii) our Group has taken reasonable steps to comply and/or procure compliance with such notice, directions and orders where practicable; and (iii) the amount of the fine in relation to Property A as disclosed above was not significant, our Directors consider that the above incidents do have no material adverse impact on our Group's business, financial condition and results of operations.

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In addition to the above, there are some unauthorised building works in some of our Group’s properties held for investment which have been leased out. While these building works do not themselves represent contravention of the Buildings Ordinance by the relevant subsidiaries of our Group being the owners of the relevant properties, the relevant subsidiaries of our Group have nevertheless demanded (in respect of building works done by tenants) that the relevant tenants remove such building works, and will consider taking legal action against these tenants for any loss that the relevant subsidiaries of our Group may suffer as a result of such works. Having considered the foregoing and also taking into account that any forced entry and rectification may result in unlawful trespass by the relevant subsidiaries of our Group, and that the relevant subsidiaries of our Group may be sued for damages in respect of any interruption to the tenants’ business which may ensue, our Directors are of the view that no further steps are required to be pursued in the near future.

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### Non-compliance with the Predecessor Companies Ordinance and the Companies Ordinance

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Our subsidiaries have inadvertently breached certain sections of the Predecessor Companies Ordinance and the Companies Ordinance. The table below summarises the non-compliance with the requirements of the Predecessor Companies Ordinance and the Companies Ordinance by our subsidiaries during the Track Record Period and up to the Latest Practicable Date:

Group companies involved	Particulars of non-compliance	Underlying reason for the non-compliance	Personnel involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
(A)	Non-compliance with the Predecessor Companies Ordinance and/or the Companies Ordinance in respect of filing requirements					
Champion Value, City Global, Great Apex, Million Link, World Way	Late filing of various specified forms with the Companies Registry from August 2014 to April 2015.	The underlying reason for the non-compliance was inadvertent oversight on the part of our former staff responsible for the preparation of filings with the Companies Registry.	Former staff responsible for the preparation of filings with the Companies Registry at the relevant time.	The forms were filed.	As advised by our Legal Counsel, the relevant Group company and every responsible person shall be liable to a potential maximum principal fine ranging from HK\$25,000 to HK\$50,000 and a potential maximum daily default fine ranging from HK\$700 to HK\$1,000 for each offence.	Starting from December 2015, our company secretary and financial controller (whose qualifications and experience are set out in the section headed “Directors and senior management” in this (REDACTED)) will be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the preparation and filing status of all relevant documents required under the Companies Ordinance (including various forms that are required to be filed in at least the following month), as well as reminding the relevant staff to prepare and file all required documents in a timely manner in advance. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
					As advised by our Legal Counsel, the chance of prosecution in respect of such non-compliance is remote given the nature of such non-compliance which, in the Legal Counsel's view, is not serious at all. As advised by our Legal Counsel, even if there is any prosecution, the chance that the court would impose maximum penalties for the aforementioned non-compliance incidents is remote.	

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P.444	Group companies involved	Particulars of non-compliance	Underlying reason for the non-compliance	Personnel involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
(B)	Non-compliance with the Predecessor Companies Ordinance and/or the Companies Ordinance in respect of preparation of audited financial statements and appointment of auditors						
	Billion Group, Champion Value, Great Apex, Million Link, Vincent Investments	No profit and loss account and balance sheet were laid before the relevant Group company at its annual general meetings of years 2012 to 2015; the profit and loss account and balance sheet were not approved in annual general meeting within 9 months after the year-end date. No auditors were appointed before the first annual general meeting.	In respect of the relevant Group companies except for Vincent Investments, the underlying reasons for the non-compliance were that as the relevant Group company did not commence business at the relevant time, our former responsible staff, due to inadvertent oversight, failed to require the external accountants to prepare the financial statements in time for formal presentation in the relevant annual general meeting.	Former staff responsible for liaising with the external accountants.	Our Directors are of the view that no remedial action is necessary given, as advised by our Legal Counsel, (i) the reluctance of the court in granting rectification to remedy breaches regarding laying profit and loss account and balance sheet as the court has been very vigilant against being regarded as a rubber stamp, and (ii) the court's view that non-compliance that would put a prospective listing in jeopardy is not a legitimate purpose for the court to exercise its discretion to grant the rectification.	As advised by our Legal Counsel, directors of the relevant Group company who failed to take reasonable steps to ensure that audited financial statements are tabled at the relevant general meeting shall be liable to a potential maximum fine of HK\$300,000 and imprisonment for 12 months.	Starting from December 2015, our company secretary and financial controller (whose qualifications and experience are set out in the section headed “Directors and senior management” in this (REDACTED)) will be responsible for the preparation of financial statements of our Company and all of its subsidiaries in a timely manner. In addition, starting from December 2015, the company secretary and financial controller will also be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the status of all relevant documents required under the Companies Ordinance (including the preparation status of financial statements that are required to be laid in the following annual general meeting of each company in our Group), and ensuring that the financial statements are properly laid before each annual general meeting in accordance with the Companies Ordinance. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
			In respect of Vincent Investments, the underlying reasons for the non-compliance were that Vincent Investments did not prepare audited financial statements for formal presentation at annual general meetings before our Company acquired the entire share capital of Vincent Investments on 22 March 2013 from an Independent Third Party. Before completion, at the request of our Company, audited financial statements for the period from 19 October 2001 (date of incorporation) to 31 March 2012 were prepared, ratified by directors' resolutions and adopted by shareholders' resolutions on 27 January 2013.			As advised by our Legal Counsel, even if there is any prosecution, the chance that the court would impose maximum penalties for the aforementioned non-compliance incidents is remote.	



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P.445	Group companies involved	Particulars of non-compliance	Underlying reason for the non-compliance	Personnel involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
(C)	Non-compliance with the Predecessor Companies Ordinance and/or the Companies Ordinance in respect of convening of annual general meetings						
	Grandwall	Failure to convene the first annual general meeting within 18 months from the date of incorporation.	The underlying reasons for the non-compliance were that (i) our Company only acquired the entire share capital in Grandwall from an Independent Third Party after the statutory deadline for convening the first annual general meeting (which was on 12 November 2012) had passed; and (ii) our former staff responsible for internal administrative matters failed to convene the first annual general meeting as soon as practicable thereafter due to inadvertent oversight.	Former staff responsible for internal administrative matters.	The first annual general meeting was held on 22 August 2013.	As advised by our Legal Counsel, the relevant Group company and every officer who is in default shall be liable to a potential maximum principal fine of HK\$50,000 for failure to hold annual general meeting.	Starting from December 2015, our company secretary and financial controller (whose qualifications and experience are set out in the section headed “Directors and senior management” in this (REDACTED)) will be responsible for the preparation of financial statements of our company and all of its subsidiaries in a timely manner. In addition, starting from December 2015, the Company secretary and financial controller will also be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the status of all relevant documents required under the Companies Ordinance (including the preparation status of financial statements that are required to be laid in the following annual general meeting of each company in our Group), and ensuring that the financial statements are properly laid before each annual general meeting and that each annual general meeting is properly convened within the prescribed timeframe in accordance with the Companies Ordinance. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
						As advised by our Legal Counsel, the chance of prosecution in respect of such non-compliance is remote given the nature of such non-compliance which, in the Legal Counsel's view, is not serious at all.	
						As advised by our Legal Counsel, even if there is any prosecution, the chance that the court would impose maximum penalties for the aforementioned non-compliance incidents is remote.	

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No provision was made in the financial statements of our Group in respect of the aforementioned non-compliance incidents as our Directors have taken into consideration of the following: (i) we had not received any notices for any fines or penalties of a material amount in relation to the aforementioned non-compliance incidents up to the Latest Practicable Date; (ii) as advised by our Legal Counsel, the chance of prosecution in respect of such non-compliance is remote given the nature of such non-compliance which, in the Legal Counsel's view, is not serious at all; and (iii) as advised by our Legal Counsel, even if there is any prosecution, the chance that the court would impose maximum penalties for the aforementioned non-compliance incidents is remote.

Based on the advice of our Legal Counsel on the non-compliances disclosed above, our Directors are of the view that there would be no material impact on our Group's operation or financial positions as a result of the above instances of non-compliance.

### *Internal control measures to prevent the recurrence of non-compliance incidents*

As a result of the above non-compliance incidents in relation to the Predecessor Companies Ordinance and/or the Companies Ordinance, we have engaged an external advisory firm to carry out an internal control review according to the agreed scope, which covers (i) reviewing standard operating procedures and related documentation provided by the Company; (ii) assessing if there is room to further enhance the standard operating procedures with a view to mitigating the occurrence of the above non-compliance incidents; and (iii) providing recommendation to further enhance the standard operating procedures and measures to prevent the occurrence of the above non-compliance incidents. This internal control review does not constitute an audit or review in accordance with the International Standards of Auditing or any other auditing standards and, consequently, no such assurance has been or will be expressed on our internal controls. The internal control review has been carried out in accordance with the agreed scope as stated above.

The external advisory firm's key findings and recommendations for improvement on internal controls over the abovementioned processes and procedures are related to (i) defining roles and responsibilities in the standard operating procedures; (ii) enhancement of procedures in standard operating procedures; (iii) setting electronic reminders on deadlines; and (iv) maintaining awareness on the requirements of the Companies Ordinance. The same external advisory firm issued a report in December 2015, and there is no statement on finding of material weakness or material insufficiency in that report.

In order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliance incidents in the future, our Group has, adopted or will adopt the following measures:

1. with regard to the non-compliance in relation to the Predecessor Companies Ordinance and the Companies Ordinance, our company secretary and financial controller, Ms. Wong Chin Han, has been responsible for keeping the filing register up to date on a monthly basis in respect of, among other things, the preparation and filing status of all relevant documents and prescribed forms required under the Companies Ordinance and we will seek legal advice from external legal advisers to ensure ongoing compliance;

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2. members of our Board and senior management attended training session conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Main Board;
3. our Company will engage external legal advisers to provide regular training to our Directors annually on the relevant regulatory requirements relating to our Group’s operations;
4. our Company has engaged KCF as our compliance adviser and will, upon [REDACTED], engage legal advisers as to Hong Kong laws, which will advise and assist the Board and the Audit Committee on compliance matters in relation to the Listing Rules, the Takeovers Code and/or other relevant laws and regulations applicable to our Company; and
5. on [●] 2016, we established an audit committee which comprises all independent non-executive Directors. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, monitor the internal control procedures and risk management, review and supervise our Group’s financial reporting system, and ensure compliance with the relevant laws and regulations.

For the general compliance obligation, a compliance manual has been established and it will be referred to when we encounter any compliance issues, and we will continuously update the manual, and if it is necessary, we will seek advice from legal consultants.

### *View of our Directors and the Joint Sponsors*

Our Directors consider that the above mentioned non-compliance incidents do not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of [REDACTED] of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) the executive Directors were responsible for the business operations of our Group and had relied on the administrative staff to handle company secretarial matters; (ii) these non-compliance incidents were due to inadvertent oversight of former staff who handled the work; (iii) our Group has fully rectified all of the non-compliance incidents where applicable and appropriate; (iv) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; (v) there were no recurring of similar non-compliance incidents since the implementation of such measures; and (vi) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors. In view of the above, our Directors believe, and the Joint Sponsors concur that, the internal control measures are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incident of the same nature.

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### **LITIGATION, CLAIMS AND ARBITRATION**

As at the Latest Practicable Date, save as disclosed below, no member of our Group was engaged in any litigation, claim or arbitration of material importance nor, to the best of our knowledge, is any litigation, claim or arbitration of material importance pending or threatened against any member of our Group.

During the Track Record Period, one of our subsidiaries was involved in legal proceedings arising in the ordinary course of business which were still pending judicial resolution as of the Latest Practicable Date. The said legal proceedings are in relation to (i) a dispute in respect of our forfeiture of a sum of HK\$6,600,000 paid by a prospective purchaser who did not proceed to complete its purchase of a floor of a commercial property developed by the Group, and (ii) a dispute with a third party in respect of a sale and purchase of the same property that did not proceed. Save for the aforesaid, as at the Latest Practicable Date, no other member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, results of operations or financial condition.