

SUMMARY

This summary aims to give you an overview of the information contained in this [REDACTED]. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this [REDACTED]. You should read the whole [REDACTED] including the appendices hereto, which constitute an integral part of this [REDACTED], before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are summarised in the section headed “Risk Factors” in this [REDACTED]. You should read such section carefully before you decide to invest in the [REDACTED].

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 capital appreciation. During the Track Record Period, our principal source of revenue was from the sale of our properties, which accounted for over 90.0% of our total revenue in the respective periods. We also invest in commercial and industrial properties for stable recurring rental income. For the analysis of our Group’s revenue during the Track Record Period, please refer to the table set out in the sub-section headed “Business — Overview” on page 109 of this [REDACTED].

Prior to the completion of the Reorganisation and the Spin-off, we are part of the Wang On Group 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.

Since the commencement of our property development business in 2004 and up to the Latest Practicable Date, our property development projects were as follows:

<u>Completed projects</u>	<u>Projects under development</u>	<u>Project held for future development</u>
<i>Residential projects</i> <ul style="list-style-type: none"> • The Met. Delight (completed in 2015) • The Met. Sublime (completed in 2014) • The Met. Focus (completed in 2013) • Godi (completed in 2007) • Meister House (completed in 2007) 	<i>Residential projects</i> <ul style="list-style-type: none"> • Hang Kwong Street Project (expected to complete in October 2017) • Ma Kam Street Project (expected to complete in February 2018) • Tai Po Road Project (expected to complete in January 2019) 	<i>Residential and commercial project</i> <ul style="list-style-type: none"> • Sze Shan Street Project
<i>Commercial project</i> <ul style="list-style-type: none"> • 726 Nathan Road (completed in 2014) 	<i>Commercial project</i> <ul style="list-style-type: none"> • 575 Nathan Road Project (expected to complete in October 2017) 	
Approximate total SFA: 198,000 sq.ft.	Approximate total expected GFA: 489,000 sq.ft.	Approximate expected GFA: 272,000 sq.ft.

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Apart from operating our property development business, we have also been engaging in property investment business 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 31 December 2015; and
- (ii) one acquired property held for sale, which was a commercial property comprising 89 car parking spaces in Shatin Centre, with a total value of approximately HK\$88.7 million valued by the Property Valuer as at 31 December 2015.

OUR PRINCIPAL BUSINESS AND BUSINESS MODEL

Our principal business comprises 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

Sale of Self-developed Properties

We generate revenue from the sale of properties that are developed by us. During the Track Record Period, revenue from the sale of self-developed properties comprised revenue from the selling of The Met. Delight, The Met. Sublime, The Met. Focus and 726 Nathan Road.

Property Investment

Sale of Acquired Properties Held for Sale

Revenue from the sale 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 in Shatin and commercial units in Grandeur Terrace in Tin Shui Wai. 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 for sale.

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.

Property Management Fee Income

We expect that we will not generate any property management fee income going forward as we no longer provide property management services after the disposal of Riviera Plaza in Tsuen Wan in February 2016. Our property management fee income mainly represents the revenue generated from property management services we provided to the tenants of Grandeur Terrace in Tin Shui Wai and Riviera Plaza in Tsuen Wan as and when we were the owner and landlord of such properties, through

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third-party service providers. Our property management services were specific to Grandeur Terrace (which we had disposed of during the year ended 31 March 2014) and Riviera Plaza (which we had disposed of in February 2016). While the total gross profit of our Group amounted to approximately HK\$308.4 million, HK\$792.8 million, HK\$562.8 million and HK\$183.2 million during the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively, we suffered loss in our property management business of approximately HK\$1.0 million, HK\$15.4 million, HK\$5.2 million and HK\$2.5 million during the corresponding periods as we had vacant shops in Grandeur Terrace and Riviera Plaza, which did not generate revenue for our property management business.

Source of funding

We require substantial capital investment for our business. We have funded and will continue to fund our business operation principally through (i) proceeds generated from pre-sale and sale of our properties; and (ii) bank borrowings. Furthermore, we intend to use proceeds from the [REDACTED] to be one of our primary sources to fund our capital expenditures in the coming periods.

Our bank borrowings are generally subject to certain restrictive, customary affirmative and/or negative covenants. However, our Directors do not expect that such covenants would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our current business plans. For risk associated with restrictive covenants, please see “Risk Factors — Risks Relating to Our Group and Our Business — We are subject to certain restrictive covenants and risks normally associated with borrowings which may limit or otherwise materially and adversely affect our business, results of operations and financial condition” on page 45 to page 46 of this [REDACTED].

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 a 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 details, please refer to the sub-section headed “Business — Suppliers” on page 145 to page 148 of this [REDACTED].

CUSTOMERS

Our Group’s major customers during the Track Record Period are purchasers of our commercial and residential properties in Hong Kong. For details, please refer to the sub-section headed “Business — Customers” on page 149 of this [REDACTED].

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

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 number of residential units pre-sold from January 2011 to September 2015, the top five property developers listed on the Stock Exchange together

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accounted for approximately 80.7% of the total number of pre-sold residential units from January 2011 to September 2015. Despite the competitive environment, we have been able to achieve satisfactory sales. For details, please refer to the section headed “Industry Overview” on page 68 to page 81 of this [REDACTED].

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

- we successfully established “The Met.” brand in Hong Kong;
- we have a broad range of properties for development and investment;
- 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; and
- we have an established business model where we strategically hold selected properties for investment for recurring rental income and capital appreciation.

For details, please refer to the sub-section headed “Business — Our Competitive Strengths” on page 113 to page 116 of this [REDACTED].

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;
- maintain a prudent land bank strategy;
- improve the mix of the portfolio for our property investment business;
- promote our brand recognition in Hong Kong; and
- continue to attract, retain and motivate skilled and talented workforce.

For details, please refer to the sub-section headed “Business — Our Business Strategies” on page 116 to page 118 of this [REDACTED].

RISK FACTORS

Our business is subject to a number of risks and uncertainties, including the following highlighted risks:

- our business is dependent on the economic conditions in Hong Kong, particularly the performance of the property market in Hong Kong;
- we may not be able to identify and acquire land bank which is suitable and desirable for our future development;
- we generate revenue principally from the sale of properties, which depends on a number of factors including the schedule of our property development and the timing of property sales. Our profitability may fluctuate significantly between different periods, as our financial performance for a particularly period depends on the mix of properties available for sale;

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- we recorded a non-recurring fair value gain of approximately HK\$107.7 million for the year ended 31 March 2015 attributable to reclassification of a property held for sale into an investment property. However, our investment properties may incur negative fair value change in the future, which may adversely affect our profitability;
- we may be unable to obtain, or may suffer material delays in obtaining, the relevant government approvals or be unable to take possession of the land parcels for our property development projects;
- we rely on external construction companies for the construction-related works of our property development projects and these construction companies may fail to provide satisfactory services which adhere to our quality and safety standards and in a timely manner, or at all;
- our results of operations may be adversely affected by labour shortages and/or the increase in the costs of labour; and
- we are subject to certain restrictive covenants and risks normally associated with borrowings which may limit or otherwise materially and adversely affect our business, results of operations and financial condition.

The risks mentioned above are not the only significant risks that may affect our operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the section headed “Risk Factors” on page 38 to page 55 of this [REDACTED].

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 as at 31 December 2015:

	Property Development									Property Investment								
	Completed Properties Held for Sale			Properties Held for Future Development						Acquired Properties Held for Sale			Properties Held for Investment			Total		
				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	1,360	—	47.8	—	25,465	430.0	—	271,616	370.0	—	—	—	4,684	—	254.9	6,044	297,081	1,102.7
New Territories	—	—	—	—	463,217	2,095.0	—	—	—	—	—	88.7	1,224	—	55.4	1,224	463,217	2,239.1
Total	1,360	—	47.8	—	488,682	2,525.0	—	271,616	370.0	—	—	88.7	10,859	—	598.5	12,219	760,298	3,630.0

Notes:

1. Only SFA is disclosed for completed properties held for sale, acquired properties held for sale and properties held for investment, as the construction of such properties was completed, the respective SFA can be ascertained with certainty. Further, it is in line with the market practice to disclose the SFA of properties after the Residential Properties (First-hand Sales) Ordinance came into effect on 2 April 2013.
2. Our Directors are of the view that it is more appropriate to disclose only the expected GFA of the properties under development and properties held for future development, as the SFA of such properties cannot be properly ascertained due to the fact that such properties are either under construction or to be constructed in the future, and it may be subject to change during the course of construction.

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For details, please refer to the paragraphs headed “Business — Overview — Our property portfolio” and the sub-section headed “Business — Our Property Portfolio” on page 112 to page 113 and page 118 of this [REDACTED], respectively.

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

Selected combined statements of profit or loss and other comprehensive income

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	509,833	1,389,372	1,228,771	506,875	535,026
Cost of sales	(201,448)	(596,540)	(666,005)	(220,219)	(351,853)
Gross profit	308,385	792,832	562,766	286,656	183,173
Profit before tax	225,777	530,873	540,638	233,926	129,102
Profit and total comprehensive income for the year/period	187,181	427,007	459,688	195,249	108,511
Profit and total comprehensive income attributable to:					
Owners of our Company	187,181	427,319	459,864	195,350	109,254
Non-controlling interests	—	(312)	(176)	(101)	(743)

Our revenue primarily represents (i) sale of properties; (ii) gross rental income; and (iii) property management fee income. An analysis of our Group’s revenue for the periods indicated is as follows:

	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Sale of properties	469,183	92.0	1,359,256	97.8	1,208,641	98.4	498,400	98.3	518,278	96.9
Gross rental income	39,193	7.7	26,860	1.9	18,054	1.5	7,421	1.5	16,012	3.0
Property management fee income	1,457	0.3	3,256	0.3	2,076	0.1	1,054	0.2	736	0.1
Total	509,833	100.0	1,389,372	100.0	1,228,771	100.0	506,875	100.0	535,026	100.0

During the Track Record Period, we had generated most of our revenue from the sale of properties, the source of which changed according to the mix of properties available for sale during the corresponding periods. For the year ended 31 March 2013, we generated most of our revenue from the sale of acquired properties held for sale, while we generated most of our revenue from the sale of self-developed properties for the years ended 31 March 2014 and 2015. For details, please refer to the table under the sub-section headed “Business — Overview” on page 110 of this [REDACTED].

Our gross profit for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 was approximately HK\$308.4 million, HK\$792.8 million, HK\$562.8 million and HK\$183.2 million, respectively. Our gross profit margin for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 was approximately 60.5%, 57.1%, 45.8% and 34.2%,

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respectively. Our net profit for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 was approximately HK\$187.2 million, HK\$427.0 million, HK\$459.7 million and HK\$108.5 million, respectively. The decline of the gross profit margin and net profit for the six months ended 30 September 2015 as compared to the six months ended 30 September 2014 was largely dependent on the product mix of the sale of properties. For the six months ended 30 September 2015, the decline of the gross profit margin and net profit was primarily attributable to the commencement of delivery of The Met. Delight with lower gross profit margin, the selling prices of which were affected by factors such as, the location, the supply of comparable properties in the neighbourhood, as compared to 726 Nathan Road which was delivered in 2014, with a higher profit margin that is generally enjoyed by commercial properties based on our Group’s experience.

For a detailed analysis of our revenue, gross profit and gross profit margin, please refer to the paragraphs headed “Financial Information — Description of Certain Key Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue” and “Financial Information — Description of Certain Key Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin” on page 203 to page 206 and page 208 to page 209 of this [REDACTED], respectively.

Non-recurrent fair value gain

We recorded a non-recurrent fair value gain of approximately HK\$107.7 million for the year ended 31 March 2015 as a result of the transfer of a property, namely the shop on the ground floor of one of our property development projects, 726 Nathan Road, from the classification of property held for sale to investment property. For details, please refer to the paragraph headed “Financial Information — Description of Certain Key Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Fair value gain upon transfer of a property held for sale to an investment property” on page 211 of this [REDACTED].

The table below sets forth selected data relating to our adjusted net profit for the year/period during the Track Record Period after excluding the effect of (i) the fair value gain upon transfer of a property held for sale to an investment property; and (ii) fair value gains/losses on investment properties:

	Year ended 31 March			Six months ended	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit for the year/period	187,181	427,007	459,688	195,249	108,511
Fair value gain upon transfer of a property held for sale to an investment property (net of tax effect)	—	—	(89,950)	—	—
Fair value losses/(gains) on investment properties, net	<u>(68,262)</u>	<u>25,301</u>	<u>(47,588)</u>	<u>(16,312)</u>	<u>(39,224)</u>
Adjusted net profit for the year/period	<u>118,919</u>	<u>452,308</u>	<u>322,150</u>	<u>178,937</u>	<u>69,287</u>

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Selected combined statements of financial position

	As at 31 March		As at 30 September	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	1,278,835	1,598,731	1,567,687	1,447,113
Current assets	2,542,203	2,551,582	4,290,393	4,009,954
Current liabilities	2,396,126	3,083,862	3,932,321	3,641,988
Non-current liabilities	1,339,299	807,531	1,685,051	1,635,950
Net current assets/(liabilities)	146,077	(532,280)	358,072	367,966
Total equity	85,613	258,920	240,708	179,129

As at 31 March 2013, 2014 and 2015 and 30 September 2015, amounts due from the Remaining Parentco Group amounted to approximately HK\$946.5 million, HK\$1,232.8 million, HK\$1,099.3 million and HK\$1,123.3 million, respectively, which formed a significant part of our current assets. As at 31 March 2013, 2014 and 2015 and 30 September 2015, amounts due to the Remaining Parentco Group amounted to approximately HK\$1,400.7 million, HK\$1,993.0 million, HK\$2,516.7 million and HK\$2,521.1 million, respectively, which also formed a significant part of our current liabilities. For details, please refer to the paragraph headed “Financial Information — Selected Statements of Financial Position Items — Due from/to the Remaining Parentco Group” on page 230 of this [REDACTED].

As at 31 March 2014, we recorded net current liabilities of approximately HK\$532.3 million, which was primarily attributable to our continuous business expansion in 2013 and financing in the acquisition of Riviera Plaza in Tsuen Wan. For further details, please refer to the paragraphs headed “Financial Information — Liquidity and Capital Resources — Net current assets/(liabilities)” on page 236 to page 238 of this [REDACTED].

As at 31 January 2016, we had committed unutilised bank facilities of approximately HK\$1.8 billion.

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Selected combined statements of cash flows

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash from/(used in) operating activities	267,338	1,098,641	(1,126,208)	(640,643)	190,993
Net cash used in investing activities	(903,105)	(824,429)	(42,309)	(12,769)	(24,208)
Net cash from/(used in) financing activities	726,680	(291,424)	1,325,806	636,653	(305,102)
Net increase/(decrease) in cash and cash equivalents	90,913	(17,212)	157,289	(16,759)	(138,317)
Cash and cash equivalents at beginning of the year/period	11,249	102,162	84,950	84,950	242,239
Cash and cash equivalents at end of the year/period	102,162	84,950	242,239	68,191	103,922

We had net cash outflow from operating activities of approximately HK\$1,126.2 million for the year ended 31 March 2015, primarily attributable to an increase in properties under development during the same period. For further details, please refer to the paragraphs headed “Financial Information — Liquidity and Capital Resources — Cash flows — Cash flows from/(used in) operating activities” on page 233 to page 234 of this [REDACTED].

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the periods or as at the dates indicated:

	Year ended 31 March			Six months ended 30 September
	2013	2014	2015	2015
Profitability ratios				
Gross profit margin (%)	60.5	57.1	45.8	34.2
Net profit margin (%)	36.7	30.7	37.4	20.3
Return on equity (%)	218.6	164.9	191.0	121.2
				As at
	As at 31 March			30 September
	2013	2014	2015	2015
Liquidity ratio				
Current ratio	1.1	0.8	1.1	1.1
Capital adequacy ratios				
Debt-to-asset ratio (%)	47.9	31.3	41.8	45.9
Gearing ratio (%)	2,139.7	502.0	1,018.1	1,397.6

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We incurred high interest expense and had high gearing ratio throughout the Track Record Period. For details, please refer to the paragraphs headed “Financial Information — Description of Certain Key Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Finance costs” and “Financial Information — Key Financial Ratios — Gearing ratio” on page 212 and page 246 to page 247, respectively, of this [REDACTED].

It is expected that our gearing ratio and our overall financial risk profile will improve immediately after the [REDACTED], as a result of the following events that took place or will take place after 30 September 2015, being the date of our last audited financial information as set out in Appendix I to this [REDACTED]:

1. the repayment and capitalisation of the amount due from/to the Remaining Parentco Group and loan from WOG;
2. the estimated net proceeds from the [REDACTED] (assuming an [REDACTED] of [REDACTED] per [REDACTED]);
3. the completion of the disposal of Riviera Plaza in Tsuen Wan, which took place on 15 February 2016, details of which are set out in the paragraph headed “Recent Developments and Material Adverse Change — Our recent developments” of this section below; and
4. the completion of the disposal of a shop located in Mongkok, which took place on 11 November 2015, details of which are set out in the paragraph headed “Recent Developments and Material Adverse Change — Our recent developments” of this section below.

For details of our key financial ratios, please refer to the sub-section headed “Information — Key Financial Ratios” on page 245 to page 247 of this [REDACTED].

VALUATION OF OUR PROPERTIES

Asset Appraisal Limited, an independent property valuer, valued our property interests as of 31 December 2015. Please refer to the section headed “Property Valuation” in Appendix III to this [REDACTED] for further information. In connection with its valuation, the Property Valuer applied the direct comparison approach based on prices realised or market prices of comparable properties, or where appropriate, the investment approach by capitalising rental income derived from the existing tenancies, if any, with due allowance for reversionary potential of the property or by reference to comparable market transaction. The direct comparison approach is used to value our properties held for sale, properties under development and properties held for future development, while investment approach and direct comparison approach are used to value the properties held for investment.

In conducting its valuation, the Property Valuer has made certain assumptions. You are advised that the appraised values of our property interests should not be taken as their actual realisable value or a forecast of their realisable value. Please refer to the paragraphs 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” on page 47 to page 48 of this [REDACTED].

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CONTROLLING SHAREHOLDERS

Assuming that all Qualifying Parentco Shareholders take up their respective [REDACTED] under the [REDACTED] in full, and taking no account of any [REDACTED] which may be taken up under the [REDACTED] and any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED], Parentco will be interested in approximately [REDACTED]% of our total issued share capital immediately after the completion of the Capitalisation Issue and the [REDACTED], through its wholly-owned subsidiaries, and will continue to be one of our Controlling Shareholders. For details of Parentco, please refer to the section headed “History, Development and Reorganisation” on page 95 to page 108 in this [REDACTED].

THE SPIN-OFF

The [REDACTED] will constitute a spin-off of the residential and commercial property development and commercial and industrial property investment businesses of Parentco. Our Board believes that the Spin-off essentially and substantively separates the residential and commercial property development and commercial and industrial property investment businesses from the other businesses of Parentco, thereby enabling investors and financiers to appraise the strategies, functional exposure, risks and returns of the respective businesses of Parentco and our Company separately and to make their investment decisions accordingly. For further information regarding the reasons of the Spin-off, please refer to the sub-section headed “History, Development and Reorganisation — The Spin-off” on page 102 to page 103 of this [REDACTED].

Our Directors expect that, immediately following the Spin-off, our Group will principally be engaged in residential and commercial property development and commercial and industrial property investment businesses whereas the Remaining Parentco Group will focus on the provision of finance and the management and sub-licensing of Chinese wet markets. We do not consider there exist material issues relating to competing or potentially competing business or related transaction with Parentco. For further details, please refer to the paragraph headed “Relationship with Controlling Shareholders — Relationship with Parentco — Clear delineation of business” on page 178 of this [REDACTED].

In view of the limited room for further capital appreciation for second-hand residential properties in Hong Kong and our general business strategy to focus on residential and commercial property development and commercial and industrial property investment businesses, certain second-hand residential properties (“**Excluded Properties**”) have been retained in the Remaining Parentco Group. The Remaining Parentco Group has been disposing of the Excluded Properties. As Parentco has undertaken under the Deed of Non-Competition not to engage in business which competes or may compete with our business, the Remaining Parentco Group will not acquire any further residential properties after disposing of all Excluded Properties. For further details, please refer to the sub-section headed “Relationship with Controlling Shareholders — Deed of Non-Competition” on page 183 to page 185 of this [REDACTED].

In accordance with the requirement of Practice Note 15 to the Listing Rules, Parentco will give due regard to the interests of its shareholders by providing Qualifying Parentco Shareholders with an [REDACTED] to the Shares by way of the [REDACTED]. Details of the [REDACTED] are described in the sub-section headed “Structure and Conditions of the [REDACTED] — The [REDACTED]” on page 269 to page 273 of this [REDACTED].

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[REDACTED] STATISTICS

	Based on the [REDACTED] of [REDACTED] per [REDACTED]	Based on the [REDACTED] of [REDACTED] per [REDACTED]
Market capitalisation of our Shares (<i>Note 1</i>)	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted combined net tangible asset per Share (<i>Note 2</i>)	[REDACTED]	[REDACTED]

Notes:

- 1 The calculation of the market capitalisation of our Shares is based on [REDACTED] Shares in issue immediately after completion of the Capitalisation Issue and the [REDACTED] but does not take into account the Shares which may be allotted and issued upon the exercise of the [REDACTED] or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
- 2 The unaudited pro forma combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this [REDACTED] for further details.

DIVIDENDS

No dividend has been paid or declared by our Company since its incorporation up to and including the Latest Practicable Date. Notwithstanding the above, non-recurring dividend of approximately HK\$244.0 million, HK\$253.7 million, HK\$477.9 million and HK\$170.0 million were declared and paid by the companies now comprising our Group to the then shareholders for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. We currently do not have any plans to distribute regular dividends immediately after the [REDACTED], although this is subject to change.

Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and Bermuda company law, including where required, the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board to recommend. We currently do not have any specific dividend policy.

LITIGATION, CLAIMS AND ARBITRATION

As at the Latest Practicable Date, we were a party to legal proceedings in respect of (i) a dispute relating to the sale of a commercial unit developed by our Group that did not proceed to completion; (ii) subsequent auctioning of the same unsold property, which arose in our Group’s ordinary and usual course of business; and (iii) a personal injuries claim against us brought by a pedestrian in respect of an accident which happened on the pavement outside one of our property’s construction sites. For further details, please refer to the sub-section headed “Business — Litigation, Claims and Arbitration” on page 161 to page 163 of this [REDACTED].

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[REDACTED] EXPENSES

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] of [REDACTED], being the mid-point of our indicative price range of the [REDACTED] stated in this [REDACTED], the [REDACTED] expenses, which are non-recurring in nature, are estimated to be approximately [REDACTED]. Of such amount to be borne by us, approximately [REDACTED] of our estimated [REDACTED] expenses is directly attributable to the issue of the [REDACTED] and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately [REDACTED] is to be charged to the combined statements of profit or loss and other comprehensive income for the year ending 31 March 2016.

Our Directors would like to emphasise that the [REDACTED] expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Our Directors consider that such [REDACTED] expenses would, to certain extent, adversely affect our results of operations for the year ending 31 March 2016.

FUTURE PLANS AND USE OF PROCEEDS FROM THE [REDACTED]

We estimate that the aggregate net proceeds to be received by us from the [REDACTED] (after deducting [REDACTED] fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range) will be approximately [REDACTED], assuming that the [REDACTED] is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately [REDACTED] or approximately [REDACTED]% of the net proceeds from the [REDACTED] for acquiring suitable development site(s) in Hong Kong to replenish our land bank for our property development business;
- approximately [REDACTED] or approximately [REDACTED]% of the net proceeds for financing our purchase of properties for investment to enhance our portfolio of properties for investment; and
- approximately [REDACTED] or approximately [REDACTED]% of the net proceeds will be used as general working capital of our Group.

To the extent that the net proceeds of the [REDACTED] are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions. Please refer to the sub-section headed “Business — Our Business Strategies” on page 116 to page 118 and the section headed “Future Plans and Use of Proceeds from the [REDACTED]” on page 254 to page 255 of this [REDACTED] for details.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Recent market conditions

In December 2015, the Federal Reserve of the United States decided to raise the federal funds rate by 0.25% and indicated that the rate level is expected to increase gradually in the next few years. Our Directors expect that the banks in Hong Kong may increase the interest rate in the near future, which may likely have a negative impact on our financial performance, as such increase in interest rate will

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directly affect our future costs of property developments and the costs of purchasing properties of our customers. For details, please refer to the paragraphs headed “Risk Factors — Risks Relating to Our Group and Our Business — Our profit and results of operation are subject to changes in interest rates” and “Risk Factors — Risks Relating to Our Industry — Our Business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available” on page 46 and page 51 to page 52 of this [REDACTED].

According to the DTZ Market Report, both residential and commercial property markets had been declining in 2015 in terms of the number and total value of contracted sales. Further, the commercial property leasing market has been experiencing increasing vacancy rate after 2012, with a drop of commercial property rental in 2015. For details of the property market, please refer to the section headed “Industry Overview” from pages 68 to 81 of this [REDACTED]. Our Directors are of the view that if such market conditions persist, our business, financial condition, results of operation and growth prospects may be adversely affected. For details, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Group and Our Business — Our business is dependent on the economic conditions in Hong Kong, particularly the performance of the property market in Hong Kong” on page 38 to page 39 of this [REDACTED].

Our recent developments

Since 30 September 2015 and up to the Latest Practicable Date, we had the following recent developments:

- **Disposal of Riviera Plaza in Tsuen Wan** — 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, we disposed of Commercial Units and Car Parking Spaces 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, Tsuen Wan, New Territories for a consideration of HK\$823.0 million. The completion of the sale and purchase took place on 15 February 2016. We expect to record a gain of approximately HK\$292.0 million from the disposal of Riviera Plaza;
- **Disposal of a piece of land located in Yuen Long** — Pursuant to a sale and purchase agreement entered into on 28 November 2015 between Kartix, as the vendor, and an Independent Third Party as the purchaser, Kartix disposed of Parcel of land of The Dawning Place, 92A–92G Yeung Uk Tsuen, Shap Pat Heung, Yuen Long, New Territories for a consideration of HK\$1.2 million. The completion of the sale and purchase took place on 28 December 2015. We expect to record a gain of approximately HK\$26,000 from the disposal of this piece of land;
- **Disposal of properties on Yen Chow Street and Chuen Long Street** — 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, we disposed of (i) Shop B on G/F including the Cockloft, Yan Oi House, No. 237 Sha Tsui Road, Nos. 87 & 89 Chuen Lung Street, Tsuen Wan, New Territories; and (ii) Ground Floor with the Cockloft, No. 60A Yen Chow Street, Kowloon,

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for a total consideration of HK\$70.0 million. The completion of the sale and purchase took place on 23 December 2015. We expect to record an aggregate gain of approximately HK\$17.3 million from the disposal of these two shops;

- **Disposal of a shop in 726 Nathan Road** — 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, we disposed of Shop on 21st Floor, “726 Nathan Road”, No. 726 Nathan Road, Kowloon, which was a completed property held for sale, for a consideration of HK\$43.5 million. The completion of the sale and purchase took place on 15 February 2016. We expect to record a gain of approximately HK\$8.4 million from the disposal of this shop;
- **Acquisition and disposal of car parking spaces in Shatin** — Pursuant to a sale and purchase agreement entered into on 14 August 2015, between an Independent Third Party as the vendor and Million Link, our wholly-owned subsidiary, as the purchaser, for the sale and purchase of 137 Car Parking Spaces on Level 1 of Podium, Shatin Centre, Nos. 2–16 Wing Pok Street, Shatin, New Territories for a consideration of HK\$96.8 million. The sale and purchase of such car parking spaces were completed on 30 November 2015. As at the Latest Practicable Date, 48 car parking spaces were sold for a total consideration of approximately HK\$53.3 million. We expect to record an aggregate gain of approximately HK\$8.1 million from the disposals of these car parking spaces; and
- **Disposal of a shop in Mongkok** — Pursuant to a sale and purchase agreement dated 12 August 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, we disposed of Shop Nos. 4 and 5 on Ground Floor, Mongkok Building, Nos. 93, 95 & 99 Mong Kok Road, Nos. 135A & 135B Sai Yee Street, Kowloon for a consideration of HK\$158.0 million. The completion of the sale and purchase took place on 11 November 2015. We expect to record a gain of approximately HK\$89,000 from the disposal of this shop.

We expect to record gains from the disposals of properties listed above of approximately HK\$325.9 million for the year ending 31 March 2016, and the net proceeds from the aforementioned disposals would improve our cashflow and gearing position.

Completion schedule for our property development projects

Based on our current project plans and internal records, the estimated completion schedule for our property development projects as at the Latest Practicable Date were as follows:

Project	District	Estimated date of completion
1. Hang Kwong Street Project	Shatin	October 2017
2. 575 Nathan Road Project	Mongkok	October 2017
3. Ma Kam Street Project	Shatin	February 2018
4. Tai Po Road Project	Shatin	January 2019
5. Sze Shan Street Project (<i>Note</i>)	Kwun Tong	N/A

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Note: As at the Latest Practicable Date, the land comprising the Sze Shan Street Project was a bare site, and we may consider disposing of such land site. For details, please refer to the paragraph headed “Business — Our Property Development Business — Description of the Portfolio of Our Property Development Business — Properties held for future development — Sze Shan Street Project” on page 123 to page 124 of this [REDACTED].

Given our four existing projects under development are expected to complete and be delivered in late 2017, early 2018 or early 2019, it is anticipated that our revenue generated from sale of self-developed properties for the coming two years will be significantly affected.

If we are unable to complete and deliver our existing development projects as planned, our results of operations may be adversely affected. For details, please refer to the paragraphs headed “Risk Factors — Risk Relating to Our Group and Our Business — We generate revenue principally from the sale of properties, which depends on a number of factors including the schedule of our property development and the timing of our property sales. Our profitability may fluctuate significantly between different periods, as our financial performance for a particularly period depends on the mix of properties available for sale” and “Risk Factors — Risks Relating to Our Group and Our Business — We may not be able to complete or deliver our property development projects on time, on budget, or at all” on page 40 and page 43 of this [REDACTED].

Outlook and material adverse change

Our Directors anticipated that the source of our revenue for the years ending 31 March 2016 and 2017 will change according to the mix of properties available for sale during the corresponding periods. We expect that our revenue for the year ending 31 March 2016 will mainly include a combination of revenue from the sale of self-developed properties and acquired properties held for sale and our revenue for the year ending 31 March 2017 will be generated mainly from the sale of acquired properties held for sale.

We expect that a significant part of our profit for the year ending 31 March 2016 will include non-recurring gains from the disposal of properties as mentioned in the paragraph headed “Recent Developments and Material Adverse Change — Our recent developments” above in this section. If such gains are excluded, our Directors are of the view that our expected financial results for the year ending 31 March 2016 would be adversely affected as compared to the financial results for the year ended 31 March 2015.

Based on the currently estimated dates of completion of our property development projects, our Directors expected that no revenue will be generated from the sale of self-developed properties for the year ending 31 March 2017.

In addition, our Directors also anticipated that our profit and gross profit margins for the years ending 31 March 2016 and 2017 may be further adversely affected due to the following factors:

- (i) the expected decrease in sale of commercial properties with a higher profit margin that is generally enjoyed by commercial properties based on our Group’s experience;
- (ii) the sale of car parking spaces which we acquired after the Track Record Period is expected to have lower gross profit margin as compared to the sale of self-developed properties; and

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- (iii) we may consider disposing of the land comprising the Sze Shan Street Project, the sale of which may have lower gross profit margins as compared to the sale of self-developed properties due to the limited value-added work done by us on the site.

As a result of the aforementioned factors, our Directors anticipated that our net profit for the years ending 31 March 2016 and 2017 may be adversely affected.

Our Directors have confirmed that taking into account of the anticipated decrease in (i) our revenue generated from sale of self-developed properties; (ii) our gross profit margin; and (iii) our net profit excluding non-recurring gains from the disposal of properties as discussed above and the **[REDACTED]** expenses as disclosed in the paragraph headed “**[REDACTED]** Expenses” above in this section, there may be material adverse change in our trading and financial position since 30 September 2015, being the date of our last audited financial statement as set out in Appendix I on page I-1 to page I-58 to this **[REDACTED]**, and up to the date of this **[REDACTED]**. Our Directors have also confirmed that, since 30 September 2015 and up to the date of this **[REDACTED]**, there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position or prospects of our Group.