THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Wang On Group Limited (宏安集團有限公司)*, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

WANG ON GROUP LIMITED
（宏安集團有限公司）*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1222)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE INTEREST IN PEARL LIMITED

* *For identification purposes only*

26 July 2019

CONTENTS

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

"Acquisition"	the conditional acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Provisional Agreement
"affiliate"	in relation to a company, its subsidiary, fellow subsidiary or holding company
"associate(s)"; "connected person(s)" or "controlling shareholder(s)"	each has the meaning as ascribed thereto under the Listing Rules
"Board"	the board of the Directors
"Bye-laws"	the bye-laws of the Company
"Bank Loan"	the loan owing by the Target Company to a bank, the outstanding amount being approximately HK$375.0 million as at the Completion Date
"Company"	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Provisional Agreement
"Completion Accounts"	the unaudited consolidated financial statements of the Target Group as at the Completion Date prepared in accordance with the terms of the Provisional Agreement
"Completion Date"	4 July 2019 or such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place

* *For identification purpose only*

"Condition(s)"	the conditions precedent to Completion
"Consideration"	the consideration of HK$780 million subject to adjustment payable by the Purchaser in respect of the Acquisition
"Director(s)"	the director(s) of the Company
"Easy One"	Easy One Financial Group Limited 易易壹金融集團有限公司, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 221)
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Existing Tenancies"	the leases, tenancy agreements or licence agreements in respect of the Property as at the date of the Provisional Agreement
"First Joint Announcement"	the announcement dated 1 May 2019 jointly issued by the Company and WOP in relation to, *inter alia*, the Acquisition
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	23 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Net Asset Value"	the total consolidated assets of the Target Group (other than the value of the Property and any plant and equipment, financial derivative assets (if any), accounts receivable and any amortised rentals on account of rent free periods granted to tenants/licensees) minus total consolidated liabilities of the Target Group (other than the liability in respect of the Shareholder Loan and the Bank Loan) as at Completion as shown in the unaudited pro forma completion accounts or the Completion Accounts (as the case may be)
"PRC"	the People's Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Property"	the Commercial Accommodation of The Parkside, No.18 Tong Chun Street, Tseung Kwan O, New Territories and the Commercial Car Parking Space Nos. R001, R002, R003, R004, R005, R006, R007, R008, R009, R010, R011, R012, R013, R014, R015, R016, R017, R018, R019, R020, R021, R022, R023, R024, R025, R026, R027, R028, R029, R030, R031, R032, R033, R034, R035, R036, R037, R038, R039, R040, R041, R042, R043, R044, R045, R046, R047 and R048, Commercial Disabled Car Parking Space No. R049 and Commercial Motor Cycle Parking Space Nos. M12, M13, M14, M15 and M16 on the Basement Floor of The Parkside, No.18 Tong Chun Street, Tseung Kwan O, New Territories
"Provisional Agreement"	the provisional agreement dated 30 April 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition (as amended and supplemented by a supplemental deed dated 28 June 2019 entered into between the Purchaser and the Vendor)

"Purchaser"	Milesville Limited, a company incorporated in the British Virgin Islands with limited liability and a joint venture indirectly owned as to 50% by WOP as at the Latest Practicable Date
"Sale Shares"	two (2) ordinary shares in the Target Company representing the entire issued share capital in the Target Company held by the Vendor
"Second Joint Announcement"	the announcement dated 21 June 2019 jointly issued by the Company and WOP in relation to, *inter alia*, the disposal of 50% equity interest in the Purchaser and the leaseback of the Property
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Shareholder Loan"	the interest free unsecured loan(s) owing by the Target Company to the Vendor in the aggregate amount of approximately HK$204.3 million as at the Completion Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	Hermitage Investments Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Target Company and the sole legal and beneficial owner of the Property
"subsidiary(ies)"	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

"Target Company"	Pearl Limited (carrying on business in Hong Kong as Pearl Park Limited), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor
"Target Group"	collectively the Target Company and the Subsidiary
"Vendor"	Topaz Limited, a company incorporated in the British Virgin Islands with limited liability
"WOG Group"	the Company and its subsidiaries, for the purpose of this circular, excludes the WOP Group and the WYT Group
"WOP"	Wang On Properties Limited 宏安地產有限公司, an exempted company incorporated in Bermuda with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1243), a 75%-owned listed subsidiary of the Company
"WOP Group"	WOP and its subsidiaries
"WYT"	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), an exempted company incorporated in Bermuda with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897), a 58.08%-owned listed subsidiary of the Company
"WYT Group"	WYT and its subsidiaries
"%"	per cent.

* *For identification purpose only*

WANG ON GROUP LIMITED
(宏安集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1222)

Executive Directors:
Mr. Tang Ching Ho, *SBS, JP (Chairman)*
Ms. Yau Yuk Yin *(Deputy Chairman)*
Mr. Chan Chun Hong, Thomas *(Managing Director)*

Independent non-executive Directors:
Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*
Mr. Wong Chun, Justein, *BBS, MBE, JP*
Mr. Siu Kam Chau

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

Head office and principal place of business:
Suite 3202, 32/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

26 July 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE INTEREST IN PEARL LIMITED

INTRODUCTION

References are made to the First Joint Announcement in relation to the Acquisition and the Second Joint Announcement in relation to, among other things, the disposal of 50% equity interest in the Purchaser and the leaseback of the Property.

* *For identification purpose only*

On 30 April 2019, the Purchaser (an indirect wholly-owned subsidiary of WOP as at the relevant time the Provisional Agreement was first entered into) entered into the Provisional Agreement with the Vendor, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital in the Target Company (i.e. the Sale Shares) at the aggregate consideration of HK$780 million (subject to adjustment) subject to the terms of the Provisional Agreement.

The purpose of this circular is to provide you with, among other things, (i) the details of the Acquisition; (ii) certain financial information of the Group and the Target Group; (iii) unaudited pro forma consolidated financial information of the Enlarged Group; and (iv) the valuation report of the Property held by the Subsidiary as required under the Listing Rules.

THE ACQUISITION

The Provisional Agreement

The principal terms of the Provisional Agreement are summarised as follows:

Date

30 April 2019 (as amended and supplemented by a supplemental deed dated 28 June 2019 entered into between the Purchaser and the Vendor)

Parties

(i) The Purchaser as purchaser.

(ii) The Vendor as vendor.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is a third party independent of each of the Company and its connected persons.

Subject Matter

The Sale Shares, representing the entire issued share capital of the Target Company. The Target Company indirectly holds 100% legal and beneficial ownership of the Property through the Subsidiary. The Property is sold on an “as-is” basis free from encumbrances other than the existing leases, tenancies and licences in respect of the Property as at the Completion Date.

Consideration

The Consideration payable under the Provisional Agreement is HK$780 million, subject to be adjusted as described in the paragraph headed "Adjustment to the Consideration" below.

The Consideration has been paid by the Purchaser in the following manner:

(a) a sum of HK$30 million, being the initial deposit (the "**Initial Deposit**"), was paid by the Purchaser to the Vendor's solicitors as stakeholders on the date of the Provisional Agreement;

(b) a sum of HK$48 million, being the further deposit (the "**Further Deposit**", together with the Initial Deposit, the "**Deposits**"), was paid by the Purchaser to the Vendor's solicitors as stakeholders on 14 June 2019; and

(c) the balance of the Consideration after deducting the Deposits was paid by the Purchaser at Completion in the following manner:

    (i) a sum equal to the amount (if any) owing in respect of the Bank Loan and the amount payable to fully release and discharge all the existing security documents in relation to the Bank Loan (including, among others, a mortgage by the Target Company in favour of the bank (as facility agent and security agent)) was paid directly to the relevant bank;

    (ii) a sum equal to the amount of the Shareholder Loan was paid to the Vendor's solicitors as stakeholders as repayment of the Shareholder Loan by and on behalf of the Target Company; and

    (iii) the remainder of the balance of the Consideration was paid to the Vendor's solicitors as stakeholders.

Adjustment to the Consideration

The Consideration shall be adjusted in the following manner:

(a) an amount in respect of the final adjustment of the Consideration as determined according to the following formula shall be paid by the Purchaser or the Vendor (as the case may be) within five (5) business days after agreement or determination of the Completion Accounts:

(i) there shall be added to the Consideration the amount (if any) by which the Net Asset Value (determined by reference to the Completion Accounts) is more than the Net Asset Value (determined by reference to the unaudited pro forma completion accounts); or

(ii) there shall be deducted from the Consideration the amount (if any) by which the Net Asset Value (determined by reference to the Completion Accounts) is less than the Net Asset Value (determined by reference to the unaudited pro forma completion accounts).

The audited net asset value of the Target Group as at 31 March 2019 is approximately HK$214.9 million. As at the Latest Practicable Date, the Completion Accounts have not been finalised and accordingly, the adjusted Consideration has not been ascertained yet.

The Consideration was arrived at following arm's length negotiations with the Vendor having regard to the prevailing market price of similar properties at similar locations and the prevailing rental yield as compared to the properties held by the Target Group and will be financed by the WOP Group's banking facilities and/or internal resources.

The Directors consider that the terms of the Acquisition are on normal commercial terms and fair and reasonable and in the interests of each of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the following Conditions being satisfied (or waived by the Purchaser) on or before the Completion Date:

(a) certain warranties given by the Vendor remaining true, accurate and not misleading in all respects on the Completion Date; and

(b) there being no material damage to the Property up to Completion.

Completion

Completion took place on 4 July 2019 upon satisfaction of all Conditions.

Costs

All stamp duty (if any) payable in relation to the Acquisition shall be borne by the Purchaser.

INFORMATION ON THE TARGET GROUP AND THE PROPERTY

The Target Company is a company incorporated in the British Virgin Islands with limited liability and was a direct wholly-owned subsidiary of the Vendor prior to Completion engaged in holding the Subsidiary.

The Subsidiary is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company engaged in property investment. The Subsidiary is the sole legal and beneficial owner of the Property.

The Property comprises the commercial accommodation of the complex named "The Parkside" located at No.18 Tong Chun Street, Tseung Kwan O, New Territories, Hong Kong together with 49 car parking spaces and 5 motor cycle parking spaces on the basement floor, with a total lettable area of approximately 32,564 square feet. The Existing Tenancies are all under a fixed term with the earliest and latest end date falling on 2019 and 2021, respectively. Pursuant to a lease dated 5 July 2019 entered into between the Subsidiary and an affiliate of WOP, the Subsidiary granted a lease of certain parts of the Property to be designated as a retail area operated by the Subsidiary to an affiliate of WOP (the "**Lease**"). Further details of the Lease are set out in the Second Joint Announcement.

Financial information of the Target Group

Set out below is a summary of the audited consolidated financial information for the years ended 31 December 2017 and 2018 and the three months ended 31 March 2019 extracted from the Accountants' Report of the Target Group:

	For the three months ended 31 March	**For the year ended 31 December**	
	2019	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	6,476	25,566	14,547
Net profit before taxation	5,968	70,740	63,756
Net profit after taxation	5,968	70,674	63,742

The audited consolidated net asset value of the Target Group as at 31 March 2019 was approximately HK$214.9 million.

Upon Completion, each member of the Target Group became a wholly-owned subsidiary of the Purchaser's group and their financial results were consolidated into the financial statements of the Purchaser's group. However, as a result of the Disposal mentioned in the section headed "Information on the Purchaser" below, the Purchaser has also ceased to be a subsidiary of WOP and its financial results will no longer be consolidated with the financial statements of the Group but would be accounted for by the Group using the equity method of accounting.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and principally engaged in property investment.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability principally engaged in property investment and was formerly an indirect wholly-owned subsidiary of WOP. Upon completion on 21 June 2019 of the disposal of 50% equity interest in the Purchaser (the "**Disposal**") by an indirect wholly-owned subsidiary of WOP, the Purchaser became a joint venture owned as to 50% by each of an indirect wholly-owned subsidiary of WOP and an independent third party. Further details of the Disposal are set out in the Second Joint Announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the businesses of (i) management and sub-licensing of fresh markets and treasury management in Hong Kong and the PRC; (ii) property investment and property development in Hong Kong through WOP, its 75%-owned listed subsidiary; and (iii) manufacturing and/or retailing of pharmaceutical and health food products through WYT, its 58.08%-owned listed subsidiary. The WOP Group is principally engaged in the businesses of developing residential and commercial properties for sale and investing in commercial and industrial properties for capital appreciation.

The Board considers that the Acquisition can help explore its asset management business, enhance and enlarge the investment property portfolio of, and bring additional stable rental income to, the WOG Group and the WOP Group. After the Disposal, the Purchaser became a joint venture and its financial results will no longer be consolidated in the financial statements of the Group. However, the Directors consider that the cooperation with suitable strategic investors presents a good opportunity to leverage on the WOG Group and the WOP Group's knowledge and expertise in property investment and management and to expand their business segment.

The Directors consider that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of each of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE ACQUISITION

According to the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular, the estimated effect on the assets and liabilities of the Group upon Completion, is that (i) total assets will be increased by approximately HK$8.5 million; and (ii) total liabilities will be increased by approximately HK$11.0 million. Completion took place on 4 July 2019 and the Acquisition will contribute annual rental income of approximately HK$7.6 million to the earnings of the Group for the year ending 31 March 2020. Details of the estimated effect of the Acquisition on the assets and liabilities of the Enlarged Group is set out in Appendix IV to this circular.

However, as a result of the Disposal (as detailed in the section headed "Information on the Purchaser" above), the Purchaser ceased to be an indirect wholly-owned subsidiary of WOP and became a joint venture of the Group owned as to 50% by each of an indirect wholly-owned subsidiary of WOP and an independent third party, and thus the financial results of the Purchaser will not be consolidated to the Group and there is no material impact to the total assets, total liabilities and the earnings of the Group.

GENERAL

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition for the Company exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition, thus no Shareholder is required to abstain from voting if the Company were to convene a special general meeting for the approval of the Acquisition. The Company has obtained a written shareholders' approval from Mr. Tang Ching Ho and his associates, the controlling shareholder group holding 9,984,356,772 Shares (representing approximately 55.9% of the total issued Shares as at the Latest Practicable Date), in lieu of holding a special general meeting to approve the Acquisition in accordance with Rule 14.44 of the Listing Rules.

RECOMMENDATION

For the reasons set out above, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution if the Company were to convene a special general meeting for the approval of the Acquisition.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
WANG ON GROUP LIMITED
(宏安集團有限公司)*
Chan Chun Hong, Thomas
Managing Director

* *For identification purpose only*

1. FINANCIAL INFORMATION

Financial information of the Group for each of the three financial years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 are disclosed in the annual reports of the Company for the financial years ended 31 March 2016 (pages 51 to 153), 2017 (pages 72 to 193), and 2018 (pages 75 to 206) and the interim report of the Company for the six months ended 30 September 2018 (pages 28 to 76), respectively, which are published on both the websites of HKEXnews (***www.HKEXnews.hk***) and the Company (***www.wangon.com***). The auditor of the Company has not issued any qualified opinion on the Group's consolidated financial statements for the financial years ended 31 March 2016, 2017 and 2018.

Quick links

Annual reports of the Company for the financial years ended 31 March 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 September 2018 are available at the following internet links:

http://www1.hkexnews.hk/listedco/listconews/SEHK/2016/0706/LTN20160706937.pdf
http://www1.hkexnews.hk/listedco/listconews/SEHK/2017/0727/LTN20170727393.pdf
http://www1.hkexnews.hk/listedco/listconews/SEHK/2018/0726/LTN20180726510.pdf
http://www1.hkexnews.hk/listedco/listconews/SEHK/2018/1219/LTN20181219587.pdf

Save as disclosed above, the Board is not aware of any material change in the Company's operation and financial position since 31 March 2019, being the date on which the latest published audited consolidated financial statements of the Group were made up.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2019, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement set out in this circular, the Enlarged Group had the following indebtedness:

(a) outstanding bank and other loans of approximately HK$5,987.2 million, of which bank loans with an aggregate amount of approximately HK$4,068.3 million were secured by the Enlarged Group's land and buildings, investment properties and certain rental income generated therefrom, properties under development, properties held for sale, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and share charges in respect of the entire interests of certain subsidiaries of the Enlarged Group, which are engaged in property development;

(b) current and non-current lease liabilities amounting to approximately HK$174.8 million and approximately HK$424.3 million, respectively; and

(c) the WOP Group also provided guarantee(s) to banks in respect of banking facilities extended to joint ventures in an amount not exceeding approximately HK$2,440.4 million and which were utilised to the extent of HK$1,297.4 million as at 31 May 2019.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, at the close of business on 31 May 2019, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or material contingent liabilities.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and available banking facilities of the Enlarged Group, the Directors, after due and careful enquiry, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances, such as any event of force majeure occurs including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out.

4. MATERIAL ADVERSE CHANGE

References are made to (i) the profit warning announcement of the Company dated 2 November 2018 in respect of the interim results of the Group for the six months ended 30 September 2018; (ii) the interim results announcement of the Company for the six months ended 30 September 2018 dated 20 November 2018; (iii) the interim report of the Company for the six months ended 30 September 2018 published on the websites of the Stock Exchange and the Company on 19 December 2018 regarding the decrease in the profit attributable to owners of the parent by over 30% for the six months ended 30 September 2018; and (iv) the profit warning announcement of the Company dated 12 June 2019 in respect of the final results of the Group for the year ended 31 March 2019. As disclosed in the aforementioned announcements and interim report, such decrease was primarily attributable to, among other things, the decrease in other income recognised from the gain on disposal of a non wholly-owned subsidiary and remeasurement of 50% equity interest retained in a joint venture in the last corresponding period, net of the profit recognised from completion of a property development project during the period under review.

Please refer to the relevant announcements and interim report of the Company for further details.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2019, being the date on which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Hong Kong residential market recorded continuous growth in both property price and number of transactions. The various uncertainties such as planned scale-back of balance sheet of U.S. Federal Reserve, Brexit negotiations and control measures released by the Government may impact the development pace.

According to the rental indices issued by Rating and Valuation Department, both the rents and price of retail shops and Grade-A office units are growing from last year. The Group will continue to seek for investments with steady recurrent income and capital appreciation to strengthen the property investment portfolio. The WYT Group's new production facilities commenced operation in March 2017. By then, the WYT Group has been transforming to manufacture and distribute the WYT Group's products through this newly established Good Manufacturing Practice certified manufacturing base. The WYT Group's Hong Kong operation has maintained stable sales, but there has been a decline in it sales for its PRC operation. The Group has been strategically restructuring our sales and distribution networks to strengthen business growth and reducing overheads to protect our margins.

The WYT Group also undertakes a strategy to scale down loss making operations and focus on the products and business lines with clear growth potential. With well-recognised household brand value, solid foundation, right strategies and new production facilities, the Group is confident that it can build great value to its shareholders.

Apart from property related and pharmaceutical and health care businesses, the operation of fresh markets and treasury management will continue to serve as reliable recurring income sources of the Group. In order to sustain further growth, the Group is actively exploring various forms of strategic business opportunities, and will develop or invest in new businesses whenever it generates attractive return to the Group and the Shareholders.

The following is the text of the accountant's report on the Target Group prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26 July 2019

The Directors
Wang On Group Limited

Dear Sirs,

We report on the historical financial information of Pearl Limited (the "**Target Company**") and its subsidiary (together, the "**Target Group**") set out on pages II-4 to II-47, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2016, 2017 and 2018, and the three months ended 31 March 2019 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018, and 31 March 2019 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-47 forms an integral part of this report, which has been prepared for inclusion in the circular of Wang On Group Limited dated 26 July 2019 (the "**Circular**") in connection with the acquisition of the entire equity interest and the shareholder loan of the Target Company (the "**Acquisition**").

Target Company Directors' responsibility for the Historical Financial Information

The directors of the Target Company (the "**Target Company Directors**") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3.1 to the Historical Financial Information, respectively, and for such internal control as the Target Company Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3.1 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Target Company Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2016, 2017 and 2018 and 31 March 2019 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3.1 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the three months ended 31 March 2018 and other explanatory information (the "**Interim Comparative Financial Information**"). The Target Company Directors are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3.1 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3.1 to the Historical Financial Information, respectively.

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

Adjustments

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

Dividends

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

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

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

		Year ended 31 December			**Three months ended 31 March**	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
REVENUE	*5*	952	14,547	25,566	6,336	6,476
Cost of services		(1,196)	(4,524)	(6,660)	(974)	(1,604)
Gross profit/(loss)		(244)	10,023	18,906	5,362	4,872
Other income and gains	*5*	—	131	280	64	64
Administrative expenses		(330)	(1,809)	(2,007)	(498)	(463)
Finance costs	*6*	(1,123)	(11,858)	(14,516)	(3,214)	(3,669)
Fair value gains on investment properties	*11*	76,529	68,240	68,531	—	5,164
Fair value losses on derivative financial instruments	*15*	(300)	(971)	(454)	(74)	—
PROFIT BEFORE TAX	*7*	74,532	63,756	70,740	1,640	5,968
Income tax expenses	*9*	—	(14)	(66)	—	—
PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		74,532	63,742	70,674	1,640	5,968

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Investment properties	*11*	636,000	707,000	775,000	780,000
CURRENT ASSETS					
Rental receivables	*13*	150	2,167	1,130	2,483
Prepayments and other receivables	*14*	1,277	1,081	1,040	1,620
Derivative financial instruments	*15*	487	454	—	—
Cash and cash equivalents	*16*	13,821	13,796	18,478	18,348
Total current assets		15,735	17,498	20,648	22,451
CURRENT LIABILITIES					
Other payables and accruals	*17*	1,605	1,170	974	1,382
Deposits received and receipts in advance		133	997	2,306	2,802
Due to the immediate holding company	*18*	204,306	204,280	204,259	204,258
Due to a related company	*18*	150	—	—	—
Tax payable		—	14	80	80
Total current liabilities		206,194	206,461	207,619	208,522
NET CURRENT LIABILITIES		(190,459)	(188,963)	(186,971)	(186,071)
TOTAL ASSETS LESS CURRENT LIABILITIES		445,541	518,037	588,029	593,929
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowing	*19*	368,724	370,428	371,913	372,348
Deposits received		2,314	9,364	7,197	6,694
Total non-current liabilities		371,038	379,792	379,110	379,042
Net assets		74,503	138,245	208,919	214,887
EQUITY					
Issued capital	*20*	—*	—*	—*	—*
Retained profits		74,503	138,245	208,919	214,887
Total equity		74,503	138,245	208,919	214,887

* Issued capital amounted to HK$16 as at 31 December 2016, 2017 and 2018, and 31 March 2019.

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Retained profits/ (accumulated losses)	Total equity
	HK$'000	*HK$'000*	*HK$'000*
	(Note 20)		
At 1 January 2016	—	(29)	(29)
Profit for the year and total comprehensive income for the year	—	74,532	74,532
At 31 December 2016 and 1 January 2017	—*	74,503	74,503
Profit for the year and total comprehensive income for the year	—	63,742	63,742
At 31 December 2017 and 1 January 2018	—*	138,245	138,245
Profit for the year and total comprehensive income for the year	—	70,674	70,674
At 31 December 2018 and 1 January 2019	—*	208,919	208,919
Profit for the period and total comprehensive income for the period	—	5,968	5,968
At 31 March 2019	—*	214,887	214,887
(Unaudited)			
At 1 January 2018	—	138,245	138,245
Profit for the period and total comprehensive income for the period	—	1,640	1,640
At 31 March 2018	—*	139,885	139,885

* Issued capital amounted to HK$16 as at 31 December 2016, 2017 and 2018, and 31 March 2018 and 2019.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		74,532	63,756	70,740	1,640	5,968
Adjustments for:						
Bank interest income	*5*	—	—	(25)	—	—
Finance costs	*6*	1,123	11,858	14,516	3,214	3,669
Tenancy arrangement fee		—	—	678	32	164
Fair value gains on investment properties	*11*	(76,529)	(68,240)	(68,531)	—	(5,164)
Fair value losses on derivative financial instruments	*15*	300	971	454	74	—
		(574)	8,345	17,832	4,960	4,637
Decrease/(increase) in rental receivables		(150)	(2,017)	1,036	636	(1,353)
Decrease/(increase) in prepayments and other receivables		(1,269)	196	41	(392)	(580)
Increase/(decrease) in other payables and accruals		363	706	(139)	134	337
Increase/(decrease) in deposits received and receipts in advance		2,447	7,914	(858)	34	(7)
Increase/(decrease) in amount due to a related company		150	(150)	—	—	—
Net cash flows generated from operating activities		967	14,994	17,912	5,372	3,034

		Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment properties		(414,121)	(2,760)	(147)	—	—
Bank interest received		—	—	25	—	—
Net cash flows used in investing activities		(414,121)	(2,760)	(122)	—	—
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowing		369,756	—	—	—	—
Payment of loan transaction costs		—	(1,212)	(259)	—	—
Interest paid		(914)	(10,083)	(12,828)	(2,785)	(3,163)
Decrease in amount due to a related company		(145,385)	—	—	—	—
Increase/(decrease) in amount due to the immediate holding company		204,306	(26)	(21)	(1)	(1)
Settlement of interest element of derivative financial instruments		(788)	(938)	—	—	—
Net cash flows generated from/(used in) financing activities		426,975	(12,259)	(13,108)	(2,786)	(3,164)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13,821	(25)	4,682	2,586	(130)
Cash and cash equivalents at beginning of year/period		—	13,821	13,796	13,796	18,478
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*16*	13,821	13,796	18,478	16,382	18,348

(E) STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at 31 December			As at 31 March
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Investment in a subsidiary	*12*	375,010	375,010	375,010	375,010
Due from a subsidiary	*12*	190,123	188,062	185,860	185,306
Total non-current assets		565,133	563,072	560,870	560,316
CURRENT ASSETS					
Prepayments	*14*	4	7	8	6
Derivative financial instruments	*15*	487	454	—	—
Cash and cash equivalents	*16*	8,637	10,872	15,402	16,594
Total current assets		9,128	11,333	15,410	16,600
CURRENT LIABILITIES					
Other payables and accruals	*17*	1,261	120	65	143
Due to the immediate holding company	*18*	204,306	204,280	204,259	204,258
Tax payable		—	14	80	80
Total current liabilities		205,567	204,414	204,404	204,481
NET CURRENT LIABILITIES		(196,439)	(193,081)	(188,994)	(187,881)
TOTAL ASSETS LESS CURRENT LIABILITIES		368,694	369,991	371,876	372,435
NON-CURRENT LIABILITY					
Interest-bearing bank borrowing	*19*	368,724	370,428	371,913	372,348
Net assets/(liabilities)		(30)	(437)	(37)	87
EQUITY/(DEFICIENCY IN ASSETS)					
Issued capital	*20*	—*	—*	—*	—*
Retained profits/(accumulated losses)		(30)	(437)	(37)	87
Total equity/(deficiency in assets)		(30)	(437)	(37)	87

* Issued capital amounted to HK$16 as at 31 December 2016, 2017 and 2018, and 31 March 2019.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the British Virgin Islands (the "**BVI**") on 15 September 2015.

The Target Company is an investment holding company. During the Relevant Periods, the Target Company's subsidiary is principally involved in property investment and management in Hong Kong.

In the opinion of the Target Company Directors, Topaz Limited ("**Topaz**"), a limited liability company incorporated in the BVI, is the immediate holding company of the Target Company. The ultimate beneficiary owners of the Target Group is the beneficiaries of Asia Realty Fund III (SO), L.P., AG Asia Realty Fund III, L.P., AG Realty Fund IX(A), L.P., AG Realty IX Investments, L.P. and AG Realty IX Investments (H-2) L.P. as at 31 March 2019.

2. BASIS OF PRESENTATION

Despite the Target Group's net current liabilities as at 31 March 2019, the Historical Financial Information have been prepared by the management of the Target Company Directors under the going concern concept because Wang On Properties Limited has agreed to provide continual financial support and adequate funds for the Target Group to meet its liabilities as and when they fall due.

3.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provision, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for investment properties and derivative financial instruments which have been measured at fair value. The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Target Company and its subsidiary for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiary are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Target Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiary

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Company the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The results of a subsidiary are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable. The Target Company's investment in a subsidiary that is not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* is stated at cost less any impairment losses.

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

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

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

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

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

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

or

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

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

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

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

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

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

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

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

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

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

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

When an operating lease contract is entered into with another party on a property originally held for sale and upon the commencement of the lease, the property is transferred to investment property. The difference between the fair value of the property at the date of transfer and its then carrying amount is recognised in profit or loss.

Leases

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

Financial assets at amortised cost

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Target Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

The Target Group recognises an allowance for expected credit loss for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Financial liabilities at amortised cost

Initial recognition and measurement

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

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

The Target Group's financial liabilities include trade and other payables, accruals and interest-bearing bank borrowing.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Target Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

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

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

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

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

Revenue recognition

Revenue from contracts with customers

Revenue from provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Target Group.

Revenue from another source

Rental income is recognised on a time proportion basis over the lease terms.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Borrowing costs

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Valuation of investment properties

Investment properties including commercial properties and car parking spaces in Hong Kong are revalued at the end of each of the Relevant Periods on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each of the Relevant Periods and at 31 March 2018 are used.

5. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue from contracts with customers					
Income from property management	209	3,033	4,074	1,018	1,070
Revenue from another source					
Rental income	743	11,514	21,492	5,318	5,406
	952	14,547	25,566	6,336	6,476

Revenue from contracts with customers

(i) Disaggregated revenue information

All revenue from contracts with customers are generated in Hong Kong and recognised over time when the services are rendered to customers.

(ii) Performance obligations

The performance obligation is satisfied over time as services are rendered.

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Other income and gains					
Bank interest income	—	—	25	—	—
Others	—	131	255	64	64
	—	131	280	64	64

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest expense on interest-bearing bank borrowing	1,123	11,858	14,516	3,214	3,669

7. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Cost of services	605	3,626	4,111	775	1,183
Direct operating expenses arising from rental income	591	898	2,549	199	421
Auditor's remuneration	92	60	75	17	19

8. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Target Group during the Relevant Periods.

9. INCOME TAX EXPENSES

Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any income tax in the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the three months ended 31 March 2018.

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Current – Hong Kong					
Charge for the year/period	—	14	66	—	—

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before tax	74,532	63,756	70,740	1,640	5,968
Tax at the Hong Kong statutory tax rate of 16.5%	12,298	10,520	11,672	271	985
Income not subject to tax	(12,627)	(11,260)	(11,308)	—	(852)
Expenses not deductible for tax	11	82	88	—-	—
Tax losses utilised from previous years/periods	—	—	(386)	(271)	(133)
Tax losses not recognised	318	672	—	—	—
Tax charge at the Group's effective tax rate	—	14	66	—	—

The Target Group has tax losses in Hong Kong of HK$1,927,000, HK$6,000,000, HK$3,661,000 and HK$2,855,000 as at 31 December 2016, 2017, 2018 and 31 March 2019 (31 March 2018: HK$4,358,000), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in a subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. DIVIDENDS

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

11. INVESTMENT PROPERTIES

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at beginning of year/period	—	636,000	707,000	775,000
Additions	559,471	2,760	147	—
Amortisation of tenancy arrangement fee	—	—	(678)	(164)
Fair value gains on investment properties	76,529	68,240	68,531	5,164
Carrying amount at end of year/period	636,000	707,000	775,000	780,000

The Target Group's investment properties consist of commercial properties and car parking spaces in Hong Kong.

The investment properties were revalued on 31 December 2016, 2017 and 2018 and 31 March 2019 by independent professionally qualified valuers. The finance department has a team that reviews the valuation performed by the independent valuers for financial reporting purposes and reports directly to senior management of the Target Company. Discussions of valuation processes and results are held between management and the valuers for the Historical Financial Information to verify major inputs to the independent valuation reports. The finance department also assesses property valuation movements during the Relevant Periods.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 23 to the Historical Financial Information.

The Target Group's investment properties with an aggregate carrying value of HK$636,000,000, HK$707,000,000, HK$775,000,000 and HK$780,000,000 were pledged to secure the Target Group's general banking facility granted to the Target Group (note 19).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)			
	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Commercial properties and car parking spaces	636,000	707,000	775,000	780,000

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

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

	Valuation techniques	Significant unobservable inputs	Range or weighted average
As at 31 December 2016			
Commercial properties	Direct capitalisation method	Unit rate per square foot	HK$10,000 to HK$14,900
Car parking spaces	Direct comparison method	Unit rate per lot	HK$197,000 to HK$2,130,000
As at 31 December 2017			
Commercial properties	Direct capitalisation method	Unit rate per square foot	HK$11,000 to HK$17,100
Car parking spaces	Direct comparison method	Unit rate per lot	HK$197,000 to HK$2,130,000
As at 31 December 2018			
Commercial properties	Direct capitalisation method	Unit rate per square foot	HK$12,000 to HK$18,500
Car parking spaces	Direct comparison method	Unit rate per lot	HK$205,000 to HK$2,220,000
As at 31 March 2019			
Commercial properties	Direct capitalisation method	Unit rate per square foot	HK$12,000 to HK$18,500
Car parking spaces	Direct comparison method	Unit rate per lot	HK$210,000 to HK$2,270,000

As at the end of each of the Relevant Periods, the valuations of investment properties were based on direct comparison method by reference to comparable market transactions.

Significant increases/(decreases) in estimated unit rate per square feet and per lot in isolation would result in a significantly higher/(lower) fair value of the investment properties.

12. INVESTMENT IN A SUBSIDIARY

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investments, at cost	375,010	375,010	375,010	375,010

At 31 December 2016, 2017 and 2018, and 31 March 2019, the balance with the subsidiary is unsecured, bears interest at one month HIBOR + 2.2% per annum and matures on 24 November 2020.

The particulars of the Target Company's subsidiary are as follows:

Company name	**Place and date of incorporation/ registration and place of operation**	**Registered share capital**	**Percentage of equity directly attributable to the Target Company**	**Principal activities**
Hermitage Investments Limited *(note)*	Hong Kong 3 February 2015	HK$10,000	100	Property investment and management

Note: The statutory financial statements of this entity for the nine months ended 31 December 2016 and the years ended 31 December 2017 and 2018 prepared under Hong Kong Financial Reporting Standards were audited by PricewaterhouseCoopers, certified public accountants registered in Hong Kong.

13. RENTAL RECEIVABLES

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental receivables	150	2,167	1,130	2,483

The Target Group's rental receivables relate to a number of diversified customers, there is no significant concentration of credit risk. The Target Group's tenants normally settle their bills in a timely manner and the Target Group's rental receivables as at the end of the Relevant Periods aged less than one month. As such, the Target Group's exposure to credit risk is insignificant and no impairment loss was recognised.

An ageing analysis of the rental receivables at the end of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	150	2,167	1,130	2,483

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Target Group				
Prepayments	74	136	37	28
Deposits and other receivables	1,203	945	1,003	1,592
Total prepayments and other receivables	1,277	1,081	1,040	1,620
Target Company				
Prepayments	4	7	8	6

Prepayments and other receivables mainly represent public utility deposits, property management fee deposits and operation fund placed with the manager of the Property. The financial assets included in the above balances were not overdue and categorised in Stage 1 for the measurement of expected credit losses. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default and the timing and amount of future cash flows. Given the Target Group has not experienced any significant credit losses in the past, the Target Company Directors considered that the allowance for expected credit losses for these deposits and receivables are not significant.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Target Group and Target Company				
Assets				
Interest rate swaps	487	454	—	—

At 31 December 2016 and 2017, the Target Group had interest rate swaps agreements with a total notional amount of HK$375,000,000 and HK$375,000,000, respectively, whereby the Target Group pays interest at fixed rate of approximately 1.3% and 1.8% and receives interest at a variable rate equal to the Hong Kong Interbank Offered Rate ("**HIBOR**") on the notional amount. The interest rate swaps agreements have maturity periods of less than one year as at 31 December 2016 and 31 December 2017, and are used to manage its interest rate exposures arising from bank loan at floating rates.

These interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Fair value losses of the non-hedging interest rate swaps amounting to HK$300,000, HK$971,000, HK$454,000 and nil were charged to profit or loss during the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and three months ended 31 March 2019 (three months ended 31 March 2018: HK$74,000), respectively.

16. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Target Group				
Cash and bank balances	13,821	13,796	18,478	18,348
Target Company				
Cash and bank balances	8,637	10,872	15,402	16,594

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The balances are non-trade in nature and the carrying amounts of the cash and cash equivalents approximate to their fair values.

17. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Target Group				
Other payables	—	189	120	103
Accruals	1,605	981	854	1,279
	1,605	1,170	974	1,382
Target Company				
Other payables	—	—	—	3
Accruals	1,261	120	65	140
	1,261	120	65	143

Other payables are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the above other payables approximate to their fair value.

18. BALANCES WITH THE IMMEDIATE HOLDING COMPANY AND A RELATED COMPANY

At 31 December 2016, 2017 and 2018 and 31 March 2019, balances with the immediate holding company and a related company are unsecured, interest-free and repayable on demand.

19. INTEREST-BEARING BANK BORROWING

	As at 31 December									As at 31 March 2019		
	2016			2017			2018					
	Contractual interest rate (%)	*Maturity*	*HK$'000*	*Contractual interest rate (%)*	*Maturity*	*HK$'000*	*Contractual interest rate (%)*	*Maturity*	*HK$'000*	*Contractual interest rate (%)*	*Maturity*	*HK$'000*
Target Group and Target Company												
Non-current:												
Bank borrowing — secured	One-month HIBOR +2.15%	2020	368,724	One-month HIBOR +2.05%	2020	370,428	One-month HIBOR +2.05%	2020	371,913	One-month HIBOR +2.05%	2020	372,348

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank borrowing repayable:				
In the second year	—	—	371,913	372,348
In the third to fifth years, inclusive	368,724	370,428	—	—
	368,724	370,428	371,913	372,348

Notes:

(a) Bank borrowing of the Target Group is secured by the Target Group's investment properties (note 11).

(b) The bank borrowing of the Target Group bears interest at floating interest rate.

(c) The carrying amount of the bank borrowing of the Target Group approximates to the fair value.

20. SHARE CAPITAL

	As at 31 December 2016	2017	2018	As at 31 March 2019
	HK$	*HK$*	*HK$*	*HK$*
Authorised:				
50,000 shares of United States dollar ("**US$**") 1 each	390,000	390,000	390,000	390,000
Issued and fully paid:				
2 ordinary shares of US$1 each	16	16	16	16

21. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Amount due to a related company	Amount due to the immediate holding company	Interest-bearing bank borrowing
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	145,385	—	—
Changes from financing cash flows	(145,385)	204,306	369,756
Increase in loan procurement fee payable	—	—	(1,181)
Amortisation of loan procurement fee	—	—	149
At 31 December 2016 and 1 January 2017	—	204,306	368,724
Changes from financing cash flows	—	(26)	(1,212)
Decrease in loan procurement fee payable	—	—	1,181
Amortisation of loan procurement fee	—	—	1,735
At 31 December 2017 and 1 January 2018	—	204,280	370,428
Changes from financing cash flows	—	(21)	(259)
Amortisation of loan procurement fee	—	—	1,744
At 31 December 2018 and 1 January 2019	—	204,259	371,913
Changes from financing cash flows	—	(1)	—
Amortisation of loan procurement fee	—	—	435
At 31 March 2019	—	204,258	372,348

22. CONTINGENT LIABILITIES

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

23. OPERATING LEASE ARRANGEMENTS AS LESSOR

The Target Group leases its investment properties (note 11) under operating lease arrangements, with leases negotiated for terms ranging from 2 to 3 years. The terms of the leases also require the tenants to pay security deposits, which is provided for periodic rental adjustments according to the then prevailing market conditions.

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

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	6,891	23,169	21,050	20,199
In the second to fifth years, inclusive	16,411	30,687	12,548	9,534
	23,302	53,856	33,598	29,733

24. CAPITAL COMMITMENT

In addition to the operating lease commitments detailed in note 23 above, the Target Group had the following commitments at the end of the reporting period:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for:				
Leasehold improvements to investment properties	56	25	—	—

25. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had the following transactions with related parties during the Relevant Periods and the three months ended 31 March 2018:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Transactions with related companies:					
Asset management fee paid	80	800	944	270	245
Lease management fee paid	70	741	265	66	66
Accounting services fee paid	—	56	56	13	13
Taxation services fee paid	—	3	3	—	—

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

(b) Outstanding balances with the immediate holding company and a related company

Details of the Target Group's balances with its immediate holding company and a related company as at the end of each of the Relevant Periods are disclosed in note 18 to the Historical Financial Information.

26. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Target Group as at the end of each of the Relevant Periods are financial assets and financial liabilities at amortised cost.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments include rental receivables, other receivables, derivative financial instruments, other payables, interest-bearing bank borrowing, balances with the immediate holding company and a related company, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Target Group's operations.

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

Interest rate risk

The Target Group's exposure to changes in market interest rates relates primarily to the Target Group's interest-bearing bank borrowing with floating interest rates. The Target Group monitors the movement in interest rates on an ongoing basis and evaluates the exposure and the costs of available hedging for its debt obligations.

To manage its interest cost, the Target Group entered into interest rate swaps in which the Target Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2016 and 2017, after taking into the effect of the interest rate swaps, the entire amount of the Target Group's interest-bearing bank borrowing bore interest at fixed rates.

The Target Company Directors consider the interest rate risk for the Target Group is minimal after taking into account the effect of the interest rate swaps.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Target Group's profit before tax for the year ended 31 December 2018 and the three months ended 31 March 2019. There is no material impact on other components of the Target Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		HK$'000
31 December 2018		
HK$	100	(3,750)
HK$	(100)	3,750
31 March 2019		
HK$	100	(3,750)
HK$	(100)	3,750

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the Target Group's financial liabilities as at the end of the Relevant Periods, based on the contractual and undiscounted payments, was as follows:

31 December 2016

	On demand	Within 1 year	1 to 2 years	3 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals *(note 17)*	1,605	—	—	—	1,605
Due to the immediate holding company *(note 18)*	204,306	—	—	—	204,306
Due to a related company *(note 18)*	150	—	—	—	150
Interest-bearing bank borrowing	—	10,862	10,862	395,682	417,406
	206,061	10,862	10,862	395,682	623,467

31 December 2017

	On demand	Within 1 year	1 to 2 years	3 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals *(note 17)*	1,170	—	—	—	1,170
Due to the immediate holding company *(note 18)*	204,280	—	—	—	204,280
Interest-bearing bank borrowing	—	10,284	10,284	384,298	404,866
	205,450	10,284	10,284	384,298	610,316

31 December 2018

	On demand	Within 1 year	1 to 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals *(note 17)*	974	—	—	974
Due to the immediate holding company *(note 18)*	204,259	—	—	204,259
Interest-bearing bank borrowing	—	9,426	383,522	392,948
	205,233	9,426	383,522	598,181

31 March 2019

	On demand	Within 1 year	1 to 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals *(note 17)*	1,382	—	—	1,382
Due to the immediate holding company *(note 18)*	204,258	—	—	204,258
Interest-bearing bank borrowing	—	9,342	381,142	390,484
	205,640	9,342	381,142	596,124

Capital management

The Target Group monitors capital using a debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. Net debt includes interest-bearing bank borrowing, less cash and bank balances. Adjusted capital comprises all components of equity (i.e., share capital and retained profit). The Target Group's policy is to maintain a stable debt-to-adjusted capital ratio. The debt-to-adjusted capital ratios as at the end of the Relevant Periods were as follows:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowing	368,724	370,428	371,913	372,348
Less: Cash and bank balances	(13,821)	(13,796)	(18,478)	(18,348)
Net debt	354,903	356,632	353,435	354,000
Total equity	74,503	138,245	208,919	214,887
Debt-to-adjusted capital	476.36%	257.97%	169.17%	164.74%

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or its subsidiary in respect of any period subsequent to 31 March 2019.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the management discussion and analysis of the Target Group for the three years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019. The following financial information is based on the accountants' report on the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Group is principally engaged in property investment. For further details of the Target Group, please refer to the section headed "*Information On The Target Group And The Property*" in the Letter from the Board in this circular.

FINANCIAL REVIEW

Revenue

The Target Group's revenue was derived from the leasing of The Property and management fee income. Rental income for the financial years ended 31 December 2016, 2017, 2018 and for the period of three months ended 31 March 2019 amounted to approximately HK$0.7 million, HK$11.5 million, HK$21.5 million and HK$5.4 million, respectively. Management fee income for the financial years ended 31 December 2016, 2017, 2018 and for the period of three months ended 31 March 2019 amounted to approximately HK$0.2 million, HK$3.0 million, HK$4.1 million and HK$1.1 million, respectively.

Cost of services and Administrative expenses

The Target Group's cost of services and administrative expenses mainly included asset management fee, government rent and rates, leasing management and legal and professional fee.

Changes in fair value of investment

The Target Group's fair value gain on investment properties amounted to approximately HK$76.5 million, HK$68.2 million, HK$68.5 million and HK$5.2 million for the financial years ended 31 December 2016, 2017, 2018 and for the period of three months ended 31 March 2019, respectively.

The Property was carried at fair value and independent valuation was performed by an independent valuer to determine the fair value as at 31 December 2016, 2017, 2018 and 31 March 2019.

Derivative financial instruments

The Target Group has entered an interest rate caps contract during the financial year ended 31 December 2016 and 2017 for the purpose of reducing its exposure to the risk of interest rate fluctuation of bank borrowings outstanding. The contract was matured on 19 December 2018. The fair value losses on derivative financial instruments were approximately HK$0.3 million, HK$1.0 million, HK$0.5 million and nil for the financial years ended 31 December 2016, 2017, 2018 and for the period of three months ended 31 March 2019, respectively.

Amount due to immediate holding company

The Target Group is wholly owned by the Vendor. The amount due to the Vendor was approximately HK$204.3 million as at 31 December 2016, 2017, 2018 and 31 March 2019. The balance is unsecured, interest free and repayable on demand.

Liquidity and financial resources

The Target Group primarily finances its operation from its holding company and bank borrowings. The Target Group adopts a prudent financial risk management under the supervision of the board of directors. As at 31 December 2016, 2017, 2018 and 31 March 2019, the total assets of the Target Group amounted to approximately HK$651.7 million, HK$724.5 million, HK$795.6 million and HK$802.5 million respectively, the total liabilities of the Target Group amounted to approximately HK$577.2 million, HK$586.3 million, HK$586.7 million and HK$587.6 million respectively, and the total equity attributable to owners of the Target Group amounted to approximately HK$74.5 million, HK$138.2 million, HK$208.9 million and HK$214.9 million respectively.

Segmental information

During the Reporting Periods, the Target Group operated with one reportable and operating segment, being the leasing of the Property. As such, there was no segmental information available for the Reporting Periods.

Contingent liabilities and capital commitment

As at 31 December 2016, 2017, 2018 and 31 March 2019, the Target Group did not have any significant contingent liabilities.

The capital commitment of the Target Group as at 31 December 2016, 2017, 2018 and 31 March 2019 amounted to approximately HK$56,000, HK$25,000, nil and nil, respectively.

Foreign exchange exposure

The Target Group mainly operates in Hong Kong with most of the transactions settled in Hong Kong dollars and has no significant financial assets or financial liabilities denominated in currencies other than Hong Kong dollars. There is no significant exposure to foreign currency exchange risks.

Gearing ratios

The gearing ratio of the Target Group, which is calculated by reference to the Target Group's total interest-bearing bank borrowing net of cash and bank balances and the total equity, was approximately 476.4%, 258.0%, 169.2% and 164.7% as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively.

Significant investments, material acquisitions or disposals

There were no significant investments, material acquisitions or disposal during the years ended 31 December 2016, 2017, 2018 and for the period of three months ended 31 March 2019.

Number of employees

During the years ended 31 December 2016, 2017, 2018 and for the period of three months ended 31 March 2019, the Target Group did not have any employees.

Pledge of assets

The Target Group's investment properties of HK$636.0 million, HK$707.0 million, HK$775.0 million and HK$780.0 million were pledged to secure the bank borrowing amounted to HK$375.0 million as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively.

Prospects

The Property will be further refurbished to optimize the tenant mix and rental income and is expected to broaden its prospect and thus, increasing the future rental value, thereby enhancing the future capital appreciation.

INTRODUCTION

This unaudited pro forma consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") has been prepared for the purpose of providing shareholders of the Company with information about the impact of the Acquisition by illustrating how the Acquisition might have affected the financial position of the Group as at 31 March 2019, had the completion of the Acquisition taken place on 31 March 2019.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2019. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statement of financial position of the Group as at 31 March 2019 as set out in the published preliminary announcement of the final results of the Company for the year ended 31 March 2019, and the audited consolidated statement of financial position of the Target Group as at 31 March 2019 as set out in the accountants' report on the Target Group included in Appendix II to this circular, after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited pro forma consolidated statement of financial position

31 March 2019

	The Group as at 31 March 2019	The Target Group as at 31 March 2019	Pro forma adjustments			Unaudited pro forma of the Enlarged Group as at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (5)*	
NON-CURRENT ASSETS						
Property, plant and equipment	1,292,739	—				1,292,739
Investment properties	1,367,500	780,000				2,147,500
Properties under development	1,355,318	—				1,355,318
Investments in joint ventures	1,481,855	—				1,481,855
Investments in associates	105,164	—				105,164
Financial assets at fair value through other comprehensive income	648,410	—				648,410
Financial assets at fair value through profit and loss	95,934	—				95,934
Loans and interest receivables	184,761	—				184,761
Prepayments, other receivables and other assets	433,692	—				433,692
Deferred tax assets	35,313	—				35,313
Total non-current assets	7,000,686	780,000				7,780,686

	The Group as at 31 March 2019	The Target Group as at 31 March 2019	Pro forma adjustments			Unaudited pro forma of the Enlarged Group as at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (5)*	
CURRENT ASSETS						
Properties under development	3,328,595	—				3,328,595
Properties held for sale	687,167	—				687,167
Inventories	161,508	—				161,508
Trade and bills receivables	109,303	2,483				111,786
Loans and interest receivables	1,044,284	—				1,044,284
Prepayments, other receivables and other assets	454,171	1,620				455,791
Cost of obtaining contracts	115,779	—				115,779
Financial assets at fair value through other comprehensive income	925,251	—				925,251
Financial assets at fair value through profit and loss	56,262	—				56,262
Tax recoverable	1,448	—				1,448
Cash and cash equivalents	2,318,224	18,348	(16,348)	(775,145)	(2,450)	1,542,629
	9,201,992	22,451				8,430,500
Assets classified as held for sale	215,176	—				215,176
Total current assets	9,417,168	22,451				8,645,676

	The Group as at 31 March 2019	The Target Group as at 31 March 2019	Pro forma adjustments			Unaudited pro forma of the Enlarged Group as at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (5)*	
CURRENT LIABILITIES						
Trade payables	195,570	—				195,570
Other payables and accruals	340,796	1,382				342,178
Deposits received and receipts in advance	7,623	2,802				10,425
Contract liabilities	1,963,026	—				1,963,026
Bank and other loans	2,124,043	—				2,124,043
Provisions for onerous contracts	18,613	—				18,613
Tax payable	260,461	80				260,541
Amount due to the then immediate holding company	—	204,258	358,652	(562,910)		—
	4,910,132	208,522				4,914,396
Liabilities directly associated with the assets classified as held for sale	361	—				361
Total current liabilities	4,910,493	208,522				4,914,757
NET CURRENT ASSETS/(LIABILITIES)	4,506,675	(186,071)				3,730,919
TOTAL ASSETS LESS CURRENT LIABILITIES	11,507,361	593,929				11,511,605

	The Group as at 31 March 2019	The Target Group as at 31 March 2019	Pro forma adjustments			Unaudited pro forma of the Enlarged Group as at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	*Note (5)*	
NON-CURRENT LIABILITIES						
Bank and other loans	3,397,719	372,348	(372,348)			3,397,719
Deferred tax liabilities	36,678	—				36,678
Other payables	13,184	—				13,184
Deposits received	54,254	6,694				60,948
Total non-current liabilities	3,501,835	379,042				3,508,529
Net assets	8,005,526	214,887				8,003,076
EQUITY						
Equity attributable to owners of the parent						
Issued capital	178,675	—*		(—)*		178,675
Reserves	5,712,371	214,887	(2,652)	(212,235)	(1,837)	5,710,534
	5,891,046	214,887				5,889,209
Non-controlling interests	2,114,480	—			(613)	2,113,867
Total equity	8,005,526	214,887				8,003,076

* Issued capital of the Target Company amounted to HK$16 as at 31 March 2019.

Notes:

(1) The amounts are extracted from the consolidated statement of financial position of the Group as at 31 March 2019, as set out in the published preliminary announcement of the final results of the Company for the year ended 31 March 2019.

(2) The amounts are extracted from the audited consolidated statement of financial position of the Target Group as at 31 March 2019, which has been extracted from the accountants' report of the Target Group included in Appendix II to this circular.

(3) In accordance with the Acquisition Agreement, the Vendor agreed with the Group that (i) the bank loan payable by the Target Group will be fully settled; and (ii) a total sum of not more than HK$2 million in cash and cash equivalent shall remain with the Target Group after completion. For the purpose of this Unaudited Pro Forma Financial Information, the cash balance of the Target Group after completion is assumed to be HK$2 million.

The adjustment represents (i) the repayment of the HK$375 million bank loan by way of settlement of approximately HK$359 million by cash advance from the Vendor and cash payment of HK$16 million from the bank account of the Target Group; and (ii) amortisation of arrangement fee attributable to the bank loan amounting to approximately HK$3 million in profit or loss.

(4) For the purpose of the Unaudited Pro Forma Financial Information, the Acquisition is accounted for as acquisition of assets and liabilities.

In accordance with the Acquisition Agreement, the Company conditionally agreed to acquire the entire interest of the Target Company and the Shareholder Loan at the consideration of HK$780 million, subject to the adjustment of the net asset value of the Target Group on the Completion Date. For the purpose of this Unaudited Pro Forma Financial Information, the net asset value of the Target Group is based on its net asset value as at 31 March 2019.

Based on the above assumptions, for the purpose of the Unaudited Pro Forma Financial Information, the consideration is assumed to be as follow:

	HK$'000
Consideration	780,000
Less: Net assets value of the Target Group as at 31 March 2019 *(note)*	(4,855)
Adjusted consideration	775,145

Note: The net assets value of the Target Group comprises rental receivables, of HK$2,483,000 prepayments and other receivables of HK$1,620,000, cash and cash equivalents of HK$2,000,000, other payables and accruals of HK$1,382,000, deposits received and receipts in advance of HK$9,496,000, tax payable of HK$80,000.

The adjustment represents (i) the cash payment of approximately HK$775 million for the Acquisition; (ii) the elimination of the Shareholder Loan of the Target Company of approximately HK$563 million; and (iii) the elimination of the issued capital of the Target Company of HK$16 and pre-acquisition accumulated retained profits of approximately HK$212 million.

(5) The adjustment represents the estimated transaction costs directly attributable to the Acquisition of approximately HK$2.5 million.

(6) No adjustments have been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 March 2019.

(7) As a result of the Disposal (as detailed in the section headed "Information on the Purchaser" above), the Purchaser ceased to be an indirect wholly-owned subsidiary of WOP and became a joint venture of the Group owned as to 50% by each of an indirect wholly-owned subsidiary of WOP and an independent third party, and thus the financial position and results of the Purchaser will not be consolidated to the Group but would be accounted for by the Group using the equity method of accounting.

LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certificated Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma consolidated financial information of the Enlarged Group.

22/F Citic Tower
1 Tim Mei Avenue
Central, Hong Kong

26 July 2019

The Board of Directors
Wang On Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wang On Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2019 and the related notes set out in pages IV-2 to IV-6 to the circular dated 26 July 2019 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of Pearl Limited and its subsidiary (the "**Acquisition**") on the Group's financial position as at 31 March 2019 as if the Acquisition had taken place on 31 March 2019. As part of this process, information about the Group's and Target Group's financial position have been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 March 2019, on which the preliminary announcement of the final results has been published; and the accountants' report on the Target Group included in Appendix II to this circular, respectively.

Directors' responsibility for the Unaudited Pro Forma Financial Information

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

Our independence and quality control

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

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

Reporting Accountants' responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 17 May 2019 of the Property.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

26 July 2019

The Board of Directors
Wang On Group Limited
Suite 3202 32/F, Skyline Tower
No. 39 Wang Kwong Road
Kowloon Bay, Kowloon

Dear Sirs,

The Commercial Accommodation and 54 Car Parking Spaces of The Parkside, No.18 Tong Chun Street, Tseung Kwan O, New Territories.

In accordance with the instructions from **Wang On Group Limited** (referred to as the "**Company**") to value the captioned property interests (referred to as the "**Property**") situated in Hong Kong, we confirm that we have carried out inspection of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at **17 May 2019** (the "**Valuation Date**").

Basis of Valuation

Our valuation of the Property represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Methodology

As majority of the shop units of the Property have been tenanted, we have adopted the Capitalization Approach in valuing the Property. The Direct Capitalization Approach is based on the base rental income that can be generated from the Property under the leases to be executed for the Properties with due allowance on the reversionary interest upon expiry of those existing tenancies. Discount rate is based on the market property yield as prevailing on the Valuation Date.

The reversionary interest of the Property has been assessed based on its market value with the benefit of vacant possession by the comparison method 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 a fair comparison of capital values.

Assumptions

Our valuation has been made on the assumption that the owners sell the Property on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Property.

As the Property is held by the owners by means of long term Government lease, we have assumed that the owners have free and uninterrupted rights to use the Property for the whole of the unexpired term of the Government lease.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

Titleship

We have been obtained land registration details of the Property in the Land Registry. However, we have not verified ownership of the Property and the existence of any encumbrances that would affect its ownership. Information in relation to land registration of the Property is disclosed herein for reference only.

Site Inspection

The Property was inspected on 17 May 2019 by Chen Nelson Chun Kin, who is a holder of master degree of science in construction and real estate awarded by the Hong Kong Polytechnic University. During the site inspection, we have ascertained the following matters of the Property:

- the general environment and development conditions of the area in which the Property is situated;
- the existing use of the Property;
- the occupancy of the Property;
- the facilities provided by the Property;
- the existence of any non-conformity use within the Property;
- the repair and maintenance conditions of the Property; and
- the existence of any closure order and resumption order affixed to the Property.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters of the Property.

We have carried out inspection of the Property, both externally and internally. However, no structural survey has been made for the Property. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the Property are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Property, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

The Property has been valued in Hong Kong Dollar (HK$).

Our valuation certificate is attached herewith.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited
Sandra S.W. Lau *MHKISAAPI RPS(GP)*
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property held for investment

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 17 May 2019 *HK$*
The Commercial Accommodation and 54 Car Parking Spaces of The Parkside, No.18 Tong Chun Street, Tseung Kwan O, New Territories. 4,879/41,588th share of and in Tseung Kwan O Town Lot No. 119.	The Property comprises the commercial accommodation on Level 1 and Ground Floor, a total of 49 car parking spaces and 5 motor cycle parking spaces on the basement. The Property was completed in 2015. According to the approved building plans, the total gross floor area of the commercial accommodation of the Property is approximately 44,378.9 square feet. The Property is situated at the western side of Tong Chun Street, Tseung Kwan O and is near to the MTR (Tseung Kwan O) Station. The general locality is mainly residential area in which various private housing estates have been built. The Property is held under New Grant No. 21353 for a term of 50 years commencing on 2 February 2012 at an annual Government rent charged at 3% of the rateable value of the Property.	Portion of the commercial accommodation with a total gross floor area of 25,181.5 square feet and all the car parking spaces of the Property are subject to various individual tenancies for terms expiring on between 30 November 2019 and 5 September 2021 at a total monthly base rent of HK$1,438,840. The remaining portion of the commercial accommodation with a total gross floor area of 19,197.4 square feet is vacant.	780,000,000

Notes:

1. The registered owner of the Property is Hermitage Investments Limited registered via memorial no. 16110301160019 dated 25 October 2016.

2. Occupation Permit No. NT 80/2015(OP) of the subject development is registered via memorial no. 16052601580061 dated 18 December 2015.

3. Certificate of Compliance of the subject development is registered via memorial no. 16082302070017 dated 18 August 2016.

4. Deed of Mutual Covenant and Management Agreement of the subject development is registered via memorial no. 16090901780311 dated 1 September 2016.

5. Mortgage in favour of the Hongkong and Shanghai Banking Corporation Limited is registered via memorial no. 16120502070012 dated 25 November 2016.

6. The property falls within an area currently zoned “Residential (Group A) 2” under the Approved Tseung Kwan O Outline Zoning Plan No. S/TKO/26 dated 26 October 2018.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares:

Name of Directors	Number of Shares held, capacity and nature of interest					Approximate percentage of the Company's total issued share capital *(Note f)*
	Personal interest	Family interest	Corporate interest	Other interest	Total	%
Mr. Tang Ching Ho ("**Mr. Tang**")	28,026,339	28,026,300 *(Note a)*	4,938,375,306 *(Note b)*	4,989,928,827 *(Note c)*	9,984,356,772	55.88
Ms. Yau Yuk Yin ("**Ms. Yau**")	28,026,300	4,966,401,645 *(Note d)*	—	4,989,928,827 *(Note e)*	9,984,356,772	55.88

Notes:

(a) Mr. Tang was taken to be interested in those Shares in which his spouse, Ms. Yau, was interested.

(b) Mr. Tang was taken to be interested in those Shares in which Caister Limited, a company which is wholly and beneficially owned by him, was interested. Mr. Tang is also the sole director of Caister Limited.

(c) Mr. Tang was taken to be interested in those Shares by virtue of being the founder of a discretionary trust, namely Tang's Family Trust.

(d) Ms. Yau was taken to be interested in those Shares in which her spouse, Mr. Tang, was interested.

(e) Ms. Yau was taken to be interested in those Shares by virtue of being a beneficiary of Tang's Family Trust.

(f) The percentage represented the number of Shares over the total issued share capital of the Company as at the Latest Practicable Date was 17,867,520,047 Shares.

Long positions in the underlying shares of shares options of Easy One, an associated corporation of the Company:

Name of Director	Date of grant	Exercise price per share *HK$*	Number of share options outstanding	Exercisable period	Number of underlying shares	Approximate percentage of Easy One's total issued share capital *(Note)* *%*
Mr. Chan Chung Hong, Thomas	23.2.2018	0.48	4,600,000	23.2.2018-22.2.2025	4,600,000	0.83

Note: The percentage represented the number of shares over the total issued share capital of the Easy One as at the Latest Practicable Date was 556,432,500 Shares.

(b) Persons who have interests or short positions in the Shares or underlying Shares which is discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed below, as at the Latest Practicable Date, no person had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of the Company's total issued share capital *(Note 5)* %
Caister Limited *(Note 1)*	Beneficial owner	4,938,375,306	27.64
Accord Power Limited *(Note 2)*	Beneficial owner — Tang's Family Trust	4,989,928,827	27.93
Fiducia Suisse SA *(Note 3)*	Interest of controlled corporation — Trustee	4,989,928,827	27.93
Mr. David Henry Christopher Hill *(Note 3)*	Interest of controlled corporation	4,989,928,827	27.93
Ms. Rebecca Ann Hill *(Note 4)*	Family interest	4,989,928,827	27.93

Notes:

(1) Caister Limited is beneficially wholly owned by Mr. Tang, who is an executive Director and the sole director of Caister Limited.

(2) Accord Power Limited is wholly owned by Fiducia Suisse SA in its capacity as the trustee of Tang's Family Trust. Accordingly, Fiducia Suisse SA was taken to be interested in those Shares held by Accord Power Limited.

(3) Fiducia Suisse SA is the trustee of the Tang's Family Trust. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher Hill, and accordingly, Mr. David Henry Christopher Hill was taken to be interested in those Shares in which Fiducia Suisse SA was interested.

(4) Ms. Rebecca Ann Hill is the spouse of Mr. David Henry Christopher Hill and was therefore taken to be interested in those Shares in which her spouse, Mr. David Henry Christopher Hill, was interested.

(5) The percentage represented the number of Shares over the total issued share capital of the Company as at the Latest Practicable Date of 17,867,520,047 Shares.

3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(i) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

(ii) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 March 2019, being the date on which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Chan Chun Hong, Thomas, the managing Director, is currently the chairman and managing director of Easy One, which has been principally engaged in financing business since November 2015, which were overlapping with the financing business of the Group, and thus may compete, or is likely to compete, either directly or indirectly, with the financing business of the Group.

For safeguarding the interests of the Group, the independent non-executive Directors and the audit committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's financing business is and continues to be run on the basis that they are independent of, and at arm's length from, those operated by members of Easy One.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The WOG Group

Within the two years immediately preceding the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the WOG Group which are or may be material:

(a) a subscription form dated 18 April 2019 and executed by each of Trade Capture Investments Limited ("**Trade Capture**"), an indirect wholly-owned subsidiary of the Company, and accepted by Rockpool Capital SPC in respect of the investment of an aggregate of US$17.5 million in Class C Shares in Rockpool Alpha Credit Strategy SP, a segregated portfolio created by Rockpool Capital SPC, together with a related side letter dated 18 April 2019 entered into between, among others, Trade Capture, Key High Limited ("**Key High**") and Rockpool Capital SPC, the details of which were set out in the announcement of the Company jointly issued with WYT dated 18 April 2019;

(b) a renewal agreement dated 31 January 2019 entered into between Fulling Limited ("**Fulling**"), an indirect wholly-owned subsidiary of the Company, as the lender, and an independent third party customer, as the borrower, in relation to the renewal of a secured loan of a principal amount of HK$100.0 million for further three months at an interest rate of 18.0% per annum, the details of which were set out in the announcement of the Company dated 31 January 2019;

(c) two loan agreements dated 19 January 2018 entered into between Fulling, as the lender, and an independent third party customer, as the borrower, in relation to the grant of two secured loans of an aggregate principal amount of HK$145.0 million for a term of 12 months with an interest rate of 9.25% per annum, the details of which were set out in the announcement of the Company dated 19 January 2018;

(d) an extension agreement dated 18 October 2017 entered into between Double Leads Investments Limited ("**Double Leads**"), an indirect wholly-owned subsidiary of the Company, as the lender, and China Agri-Products Exchange Limited ("**CAP**"), as the borrower, pursuant to which Double Leads agreed to extend the payment date of the interest accrued on (i) the drawdown(s) of a revolving loan facility in an aggregate principal amount of HK$100.0 million; and (ii) the 5-year 10.0% coupon bonds due 2019 issued by CAP (the "**2019 CAP Bonds**"), payable on 30 November 2017 to be otherwise due and payable on 31 January 2018 at an annual interest rate of 12% which shall be payable on the accrued interests for the respective extension periods, the details of which were set out in the announcement of the Company issued with WYT, CAP and Easy One dated 18 October 2017;

(e) a renewal agreement dated 13 September 2017 entered into between Fulling, as the lender, and an independent third party customer, as the borrower, in relation to the renewal of a secured loan of a principal amount of HK$150.0 million for another term of 12 months with the interest rate of 9.75% per annum, the details of which were set out in the announcement of the Company dated 13 September 2017;

(f) an extension agreement dated 25 August 2017 entered into between Double Leads, as the lender, and CAP, as the borrower, pursuant to which Double Leads agreed to extend the payment date of the interest accrued on the drawdowns of a revolving loan facility in an aggregate amount of HK$100.0 million payable on 25 August 2017 and 28 September 2017 to be both otherwise due and payable on 30 November 2017 at an annual interest rate of 12% which shall be payable on the accrued interests for the respective extension periods, the details of which were set out in the announcement of CAP dated 25 August 2017;

(g) a renewal agreement dated 26 July 2017 entered into between Fulling as the lender, and an independent third party customer, as the borrower, pursuant to which Fulling agreed to renew the loan agreement dated 26 January 2017 of a principal amount of HK$90.0 million with the customer at an interest rate of 18.0% per annum for a term of three months (with an option to renew for further three months), the details of which were set out in the announcement of the Company dated 26 July 2017; and

(h) letters of request issued by CAP and acknowledged by Double Leads as the bondholder on 4 July 2017 and 15 September 2017, pursuant to which Double Leads agreed to extend the payment date of the interest accrued on the 2019 CAP Bonds to be otherwise due and payable on 31 August 2017 to 30 November 2017 at an annual interest rate of 12% on the outstanding interest, the details of which were set out in the announcements jointly issued by the Company, WYT, Easy One and CAP dated 26 July 2017 and 15 September 2017.

The WOP Group

Within the two years immediately preceding the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the WOP Group which are or may be material:

(a) the share sale agreement dated 21 June 2019 entered into between Caesar Holding II Limited ("**Caesar**"), Bancroft Ville Limited ("**Bancroft**"), an indirect wholly-owned subsidiary of WOP, and the Purchaser in respect of the Disposal for an aggregate consideration of approximately HK$39.0 million; a share subscription agreement dated 21 June 2019 entered into between Caesar, Bancroft and the Purchaser in relation to the subscription of new shares in the Purchaser by each of Caesar and Bancroft for an aggregate consideration of approximately HK$129.8 million; and the Lease dated 5 July 2019 entered into the Subsidiary and Wang On Majorluck Limited, an affiliate of the Company, for a term commencing tentatively on 5 July 2019 and 1 December 2019, respectively, and expiring on 30 June 2030 at an aggregate rent of approximately HK$402.7 million, the details of which were set out in the Second Joint Announcement;

(b) the Provisional Agreement (as amended and supplemented by a supplemental deed dated 28 June 2019 entered into between the Purchaser and the Vendor);

(c) a tenancy agreement dated 2 May 2019 entered into between Wai Yuen Tong (Retail) Limited ("**WYTR**"), as the tenant, and Vincent Investments Limited ("**Vincent Investments**"), an indirect wholly-owned subsidiary of WOP, as the landlord, in respect of the lease of a property located at Nathan Road, Kowloon for a term of three years commencing from 1 May 2019 and expiring on 30 April 2022 for a monthly rental of HK$0.38 million (exclusive of rates and management charge), the details of which were set out in the announcement jointly issued by WYT and WOP dated 2 May 2019;

(d) a binding term sheet dated 29 April 2019 executed by WOP and Metal Jacket Holding III Limited ("**KKR**") in relation to, among other things, (i) the sale of 50% equity interest in Oriental Sunlight Limited ("**Oriental Sunlight**"), an indirect wholly-owned subsidiary of WOP, by WOP or its wholly-owned subsidiary ("**WOP JV Partner**") as vendor, and KKR or an affiliate of KKR which is directly or indirectly controlled by funds and/or investment vehicles managed and/or advised by Kohlberg Kravis Roberts & Co. L.P. ("**KKR JV Partner**") as purchaser; and (ii) the subscription of new shares in Oriental Sunlight by each of the WOP JV Partner and the KKR JV Partner for an aggregate consideration of approximately HK$180.0 million; (iii) the formation of a joint venture between the WOP JV Partner and the KKR JV Partner in respect of Oriental Sunlight; and (iv) the grant of a lease of certain parts of the property held by Oriental Sunlight (such property as referred to in paragraph (e) below) to an affiliate of WOP by Oriental Sunlight, details of which were set out in the announcement of the Company jointly issued with WOP dated 29 April 2019;

(e) a provisional sale and purchase agreement dated 26 April 2019 entered into between Cannex Limited, an indirect wholly-owned subsidiary of WOP, as the purchaser, and First Trading Company Limited, as the vendor, in relation to the sale and purchase of properties comprising of 45 workshops and 18 car parking spaces of the building known as "EW International Tower" at a consideration of HK$306.8 million, the details of which were set out in the announcement of the Company dated 26 April 2019;

(f) a provisional sale and purchase agreement (as amended by a supplemental agreement dated 18 April 2019) dated 18 April 2019 entered into between City Target Limited, an indirect wholly-owned subsidiary of WOP, as the vendor, and Globe Power Limited, as the purchaser, in relation to the acquisition of Shop 1 & 2 on the Ground Floor, "726 Nathan Road" No. 726 Nathan Road, Kowloon at a consideration of HK$135.0 million, the details of which were set out in the announcement of the Company dated 18 April 2019;

(g) the offer submitted by Wellion Limited, an indirect wholly-owned subsidiary of WOP, in the tender process for the acquisition of the retail podium comprising car parking spaces and the retail podium of the ground floor and the level one of the residential accommodation known as "Lake Silver" from Kowloon-Canton Railway Corporation at a total consideration of HK$653,000,000, the details of which were set out in the announcement of the Company jointly issued with WOP dated 24 January 2019;

(h) a sale and purchase agreement dated 19 April 2018 entered into between Silver Surplus Limited, an indirect wholly-owned subsidiary of WOP, as the vendor, and Kam Wah Ever Rich Limited, as the purchaser, in relation to the sale of 30% of the entire issued share capital of, and assignment of the shareholder loan of, Golden

Noble Investments Limited holding a property development project at a consideration of HK$103.8 million, the details of which were set out in the announcement of the Company jointly issued with WOP dated 19 April 2018;

(i) a provisional sale and purchase agreement dated 12 April 2018 entered into between Joyful Lake Limited, an indirect wholly-owned subsidiary of WOP, as the vendor, and Fong's Manufacturers Company Limited, as the purchaser, in relation to the sale and assignment of the entire issued share capital of, and assignment of the shareholder loan of, PT Harvest Holdings Limited holding a commercial properties at an initial consideration of approximately HK$324.5 million, the details of which were set out in the announcement of the Company jointly issued with WOP dated 12 April 2018;

(j) a sale and purchase agreement dated 29 March 2018 entered into between Goldland Enterprises Limited, as the purchaser, and East Run Investments Limited ("**East Run**"), an indirect wholly-owned subsidiary of WOP, as the vendor, in relation to the disposal of share, and assignment of the relevant shareholder loan, of a subsidiary of WOP holding a retail property at a consideration of approximately HK$83.8 million, the details of which were set out in the announcement of the Company dated 29 March 2018;

(k) a sale and purchase agreement dated 7 February 2018 entered into between Guidepost Investments Limited ("**Guidepost**"), as the purchaser, and East Run, as the vendor, in relation to the sale of share(s), and assignment of the relevant shareholder loan(s), of four respective subsidiaries of WOP holding four retail properties at a consideration of approximately HK$350.0 million, the details of which were set out in the announcement jointly issued by WOP and WYT dated 7 February 2018 and the circular of WOP dated 29 March 2018;

(l) a conditional sale and purchase agreement dated 8 September 2017 (as amended by a supplemental agreement dated 15 January 2018) entered into between More Action Investments Limited ("**More Action**"), an indirect wholly-owned subsidiary of WOP, as vendor, Sparkle Hope Limited, an indirect wholly-owned subsidiary of WOP, as vendor's guarantor, Clear Idea International Limited ("**Clear Idea**"), as purchaser, and Angel View International Limited ("**Angel View**"), as purchaser's guarantor, in relation to the sale and purchase of 60% issued share capital and assignment of a shareholder loan of Ease Mind Investments Limited holding a property under development project at a consideration of approximately

HK$2,441.3 million, the details of which were set out in the announcements of the Company jointly issued with WOP dated 11 September 2017 and the circular of the Company dated 12 October 2017; and

(m) a conditional facility agreement dated 8 September 2017 entered into between More Action, as lender, Clear Idea, as borrower and Angel View, as purchaser's guarantor, in relation to the secured term loan facility in the principal amount of HK$600.0 million advanced by More Action to Clear Idea for a term of 24 months, the details of which were set out in the announcement of the Company jointly issued with WOP dated 11 September 2017.

The WYT Group

Within the two years immediately preceding the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the WYT Group which are or may be material:

(a) on 3 June 2019, Suntech Investments Limited, an indirect wholly-owned subsidiary of WYT, placed an order to acquire US$4.0 million 7.875% senior notes due 15 February 2022 issued by Sunac China Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1918), in the secondary market for a total consideration of approximately US$4.08 million (equivalent to approximately HK$32.10 million), the details of which were set out in the announcement of WYT dated 18 April 2019;

(b) a formal agreement dated 17 May 2019 and a conditional provisional agreement dated 28 March 2019 entered into between Precious Investments Limited, an indirect wholly-owned subsidiary of WYT, as the vendor, and Gloryway Capital Investment Limited, as the purchaser, in relation to the disposal of the property located at Sai Yeung Choi Street South, Kowloon at a consideration of HK$102.8 million subject to the existing lease expiring on 31 January 2022, the details of which were set out in the announcement of WYT dated 28 March 2019 and the circular dated 24 May 2019;

(c) a conditional provisional agreement dated 9 May 2019 entered into between Guidepost, an indirect wholly-owned subsidiary of WYT, as the vendor, and Rich Faith Holdings Limited, as the purchaser, in relation to the disposal of the entire issued share capital of, and the assignment of the shareholder loan in, Shiny World

Investment Limited, an indirect wholly-owned subsidiary of WYT, holding a retail shop at a consideration of HK$52.8 million, the details of which were set out in the announcement of WYT dated 9 May 2019;

(d) a tenancy agreement dated 2 May 2019 entered into between WYTR, an indirect subsidiary of WYT, as the tenant, and Vincent Investments, as the landlord, in respect of the lease of a property located at Nathan Road which has a total value of the right of use of approximately HK$12.06 million, for a term of three years commencing from 1 May 2019 and expiring on 30 April 2022 for a monthly rental of HK$0.38 million (exclusive of rates and management charge), the details of which were set out in the announcement jointly issued by WYT and WOP dated 2 May 2019;

(e) a conditional provisional agreement dated 30 April 2019 entered into between Guidepost, as the vendor, and an individual person, as the purchaser, in relation to the disposal of the entire issued share capital of, and the assignment of the shareholder loan in, Wang To Investments Limited, an indirect wholly-owned subsidiary of WYT, holding a retail shop at a consideration of HK$47.0 million, the details of which were set out in the announcement of WYT dated 30 April 2019;

(f) a subscription form dated 18 April 2019 and executed by Key High, an indirect wholly-owned subsidiary of WYT, and accepted by Rockpool Capital SPC in respect of the investment of an aggregate of US$7.5 million in Class C Shares in Rockpool Alpha Credit Strategy SP, a segregated portfolio created by Rockpool Capital SPC, together with a related side letter dated 18 April 2019 entered into between, among others, Trade Capture, Key High and Rockpool Capital SPC, the details of which were set out in the announcement of WYT jointly issued with the Company dated 18 April 2019;

(g) a conditional provisional sale and purchase agreement dated 18 April 2019 and a binding supplemental agreement dated 19 April 2019 entered into between Sky Success Limited ("**Sky Success**"), an indirect wholly-owned subsidiary of WYT, as the vendor, and Asia Bright Enterprises Limited, as the purchaser, in relation to the disposal of the property located at To Kwa Wan Road at a consideration of HK$60.5 million and a licence agreement dated 18 April 2019 entered into between Sky Success and the purchaser for the grant of a right to Sky Success to use certain part of the shop for a term of 12 months commencing from the date of completion of such disposal (i.e. on 28 June 2019) by setting aside HK$6.05

million as a security deposit which will be refunded to Sky Success upon delivery of vacant possession of such property to the purchaser, the details of which were set out in the announcement of WYT dated 19 April 2019;

(h) a conditional provisional sale and purchase agreement dated 28 February 2019 entered into between Guidepost, as the vendor, and individual third parties, as the purchaser, in relation to the disposal of the entire issued share capital of, and the assignment of the shareholder loan of, Union Target Limited holding a retail property at a consideration of HK$53,088,000, the details of which were set out in the announcement of WYT dated 28 February 2019;

(i) a loan agreement dated 18 September 2018 entered into between Able Trend Limited ("**Able Trend**"), an indirect wholly-owned subsidiary of WYT, as the lender, and Easy One, as the borrower, pursuant to which Able Trend agreed to grant an unsecured revolving credit facility of not exceeding a sum of HK$65.0 million at an interest rate of 7.0% per annum for a term of 36 months commencing from 18 September 2018, the details of which were set out in the announcement of WYT dated 18 September 2018;

(j) a sale and purchase agreement dated 7 February 2018 entered into between Guidepost, as the purchaser, and East Run, as the vendor, in relation to the sale of share(s), and assignment of the relevant shareholder loan(s), of four respective subsidiaries of WOP holding four retail properties at the consideration of approximately HK$350.0 million, the details of which were set out in the announcement jointly issued by WOP and WYT dated 7 February 2018 and the circular of WYT dated 29 March 2018;

(k) an extension agreement dated 18 October 2017 entered into between Winning Rich Investments Limited ("**Winning Rich**"), an indirect wholly-owned subsidiary of WYT, as the lender, and CAP, as the borrower, pursuant to which Winning Rich agreed to extend the payment date of the interest accrued on the 2019 CAP Bonds payable on 30 November 2017 to be otherwise due and payable on 31 January 2018 at an annual interest rate of 12% which shall be payable on the accrued interest for the extension period, the details of which were set out in the announcement of the Company jointly issued with WYT, CAP and Easy One dated 18 October 2017;

(l) a conditional underwriting agreement dated 4 July 2017 entered into between, *inter alia*, CAP, Key High and WYT in relation to the underwriting of certain rights shares to be issued proposed by CAP, which had been terminated on 15 September 2017, the details of which were set out in the announcements dated 26 July 2017 and 15 September 2017 jointly issued by the Company and WYT;

(m) a conditional subscription agreement dated 4 July 2017 entered into between Key High and CAP in relation to the subscription of convertible notes to be issued by CAP, which had been terminated on 15 September 2017; and

(n) letters of request issued by CAP and acknowledged by Winning Rich as the bondholder on 4 July 2017 and 15 September 2017, pursuant to which Winning Rich agreed to extend the payment date of the interest accrued on the 2019 CAP Bonds to be otherwise due and payable on 31 August 2017 to 30 November 2017 at an interest rate of 12% on the outstanding interest, the details of which were set out in the announcement jointly issued by the Company, WYT and CAP dated 29 May 2017 and the announcements jointly issued by the Company, WYT, Easy One and CAP dated 26 July 2017 and 15 September 2017.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose statements have been included in this circular:

Name	Qualification
Asset Appraisal Limited	Independent professional valuer
Ernst & Young	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or opinion or report or reference to its name in the form and context in which it appears.

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

As at the Latest Practicable Date, each of the above experts had not had any direct or indirect interests in any assets which have been, since 31 March 2019 (being the date on which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is at Suite 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

(b) The company secretary of the Company is Ms. Mak Yuen Ming, Anita. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(c) The share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English texts of this circular and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistencies.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suite 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on any Business Day from the date of this circular up to and including 9 August 2019:

(a) the memorandum of association and the Bye-laws;

(b) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix;

(c) the letters of consent referred to in the paragraph headed "Experts and Consents" in this Appendix;

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

(e) the report by the auditors on the unaudited pro forma consolidated financial information of the Enlarged Group as set out in Appendix IV to this circular;

(f) the valuation report on the Property prepared by Asset Appraisal Limited as set out in Appendix V to this circular;

(g) the annual reports of the Company for the three financial years ended 31 March 2016, 2017 and 2018;

(h) the interim report of the Company for the six months ended 30 September 2018;

(i) a copy of the circular dated 28 March 2019 issued by the Company pursuant to the requirements set out in Chapter 14 of the Listing Rules; and

(j) this circular.