THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

興勝創建控股有限公司

HANISON CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE SALE SHARES AND THE SHAREHOLDER LOAN
OF A TARGET COMPANY

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

A letter from the Board containing details of the Acquisition is set out on pages 7 to 17 of this circular.

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

25 September 2019

CONTENTS

DEFINITIONS

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

"Accountant"	Deloitte Touche Tohmatsu or its local affiliates (or any other qualified audit firm to be agreed between the Seller and the Purchaser)
"Acquisition"	the acquisition of the Sale Shares and the Shareholder Loan by the Purchaser pursuant to the SPA
"Assets"	certain agreed balance sheet items (including cash and equivalents, accounts receivables, and prepayment, deposits and other receivables but excluding the investment property, property, plant and equipment, deposits for leasehold improvements, lease assets, certain outstanding loan receivable, certain rent receivable overdue for over 90 days and certain fee related to accounting adjustment), which are recognised by the Seller and the Purchaser as "assets" in the SPA for the purpose of calculating the Estimated NAV and the Final NAV
"Base Purchase Price"	the base purchase price in the sum of HK$735,000,000
"Board"	the board of Directors
"Business Days"	a day other than Saturday, Sunday, any day on which banks located in Hong Kong or Singapore are authorised or obligated to close, any public holiday in Hong Kong or in Singapore or a day on which typhoon signal No.8 or above or black rainstorm signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time
"Company"	Hanison Construction Holdings Limited (stock code: 896), a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
"Closing"	closing of the Acquisition in accordance with the terms of the SPA
"Closing Date"	30 August 2019, being the date on which Closing shall take place in accordance with the terms of the SPA
"Conditions Precedent"	conditions precedent to the Closing

"connected persons"	has the meaning as ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Purchaser to the Seller for the purchase of the Sale Shares and the Shareholder Loan which is the aggregate sum of (a) the Base Purchase Price of HK$735,000,000; and (b) the Final NAV
"CPO"	Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong)
"Deposit"	the deposit in the aggregate sum of HK$73,500,000 which has been paid by the Purchaser to the Seller's solicitors as stakeholders upon signing of the SPA
"Director(s)"	the directors of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Estimated Closing Accounts"	the closing accounts (comprising the consolidated balance sheet) of the Target Group as at 11:59 p.m. (Hong Kong time) on the Closing Date which are prepared by the Seller in the manner as set out in the SPA and delivered to the Purchaser at least 5 Business Days before the Closing Date
"Estimated NAV"	the Net Asset Value calculated with reference to the figures in the Estimated Closing Accounts provided that the Estimated NAV shall not exceed HK$40,000,000
"Estimated Purchase Price"	the aggregate sum of (a) the Base Purchase Price; and (b) the Estimated NAV
"Existing Bank Loans"	the banking facilities granted by Crédit Agricole Corporate and Investment Bank to the Target Company. For illustration, the outstanding amount of bank loans together with the interest amount and other cost as at Closing is HK$259,626,036.14
"Final Closing Accounts"	the closing accounts (comprising the consolidated balance sheet) of the Target Group as at 11:59 p.m. (Hong Kong time) on the Closing Date which are prepared by the Seller within sixty days after the Closing with all figures agreed by the Purchaser (or otherwise determined by the Accountant if the Purchaser does not agree to the figures) in the manner set out in the SPA

"Final NAV"	the Net Asset Value calculated with reference to the figures in the Final Closing Accounts provided that the Final NAV shall not exceed HK$40,000,000
"Final Purchase Price"	the aggregate sum of (a) the Base Purchase Price; and (b) the Final NAV
"Funds"	certain funds and vehicles commonly known as Blackstone Real Estate Partners VII and Blackstone Real Estate Partners Asia
"Group"	the Company and its subsidiaries
"HIBOR"	the Hong Kong Interbank Offered Rate
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	18 September 2019, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Liabilities"	certain agreed balance sheet items (including any and all costs incurred in connection with the Rectification Settlement (if a Rectification Settlement is reached prior to the Closing) and any and all costs incurred in connection with the Rectification Works (if no Rectification Settlement is reached prior to the Closing), deferred revenue, other payables and accrual, and tax payable but excluding amounts due to related parties, the Shareholder Loan, bank loan, and deferred tax liabilities), which are recognised by the Seller and the Purchaser as "liability" in the SPA for the purpose of calculating the Estimated NAV and the Final NAV
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAL"	Minibox Asia Limited (美利倉亞洲有限公司), a limited company incorporated in Hong Kong

"Material Adverse Change"	any damage or destruction to one or more of the Properties rendering greater than 50% of the gross floor areas of the Properties unfit for their intended use
"NEPL"	New Empire Properties Limited (鴻恩地產有限公司), a limited company incorporated in Hong Kong
"Net Asset Value"	the difference between the Assets and the Liabilities which is calculated in the manner set out in the SPA
"Properties"	the properties held by the Target Company through SHIL which consist of: (i) the Minibox Tower (美利倉大廈)(formerly known as Minico Building (美利倉大廈) and PCL Group Building (弘茂集團大廈)), No. 18 Lee Chung Street, Chai Wan, Hong Kong; (ii) Portion 1 of Unit A on 4/F., Portion 2 of Unit A (including the Flat Roof appurtenant thereto) on 4/F. and Car Parking Space No. 12 on G/F. of Chaiwan Industrial Centre, No. 20 Lee Chung Street, Chai Wan, Hong Kong; and (iii) Unit N-3 on 1/F. and Staircases Nos. R4, R5 and R6 on G/F. of Block 3 of Kwun Tong Industrial Centre (官塘工業中心), Nos. 448-458 Kwun Tong Road, Kowloon, Hong Kong, Unit Q-4 (including the Flat Roof appurtenant thereto) on 1/F. of Block 4 of Kwun Tong Industrial Centre (官塘工業中心), Nos. 436-446 Kwun Tong Road, Kowloon, Hong Kong and Car Parking Spaces Nos. 55 and 56 on G/F. of Kwun Tong Industrial Centre (官塘工業中心), Nos. 436-484 Kwun Tong Road, Kowloon, Hong Kong
"Purchaser"	Excellent Sincere Limited (卓誠有限公司), a limited company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company
"Rectification Settlement"	the full and final settlement reached between the Target Group and the relevant service provider(s) for the termination or cessation of carrying out of the Rectification Works

"Rectification Works"	the building works and/or other work undertaken, being undertaken or to be undertaken by or on behalf of the Target Group in connection with certain orders and notices registered at the Land Registry before the signing of the SPA
"Relevant Shareholders"	a closely allied group of Shareholders comprising CCM Trust (Cayman) Limited and its subsidiaries and LBJ Regents Limited which are beneficially interested in 487,702,041 and 61,022,931 shares in the Company respectively, representing in total 50.30% of the entire issued share capital of the Company as at the Latest Practicable Date
"Sale Shares"	243,375 shares of the Target Company, representing the entire issued and paid-up share capital of the Target Company, free from encumbrances
"Seller"	Storage Portfolio Holding Ltd, an exempted company established under the laws of the Cayman Islands
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the ordinary shares of HK$0.1 each in the share capital of the Company
"Shareholder Loan"	the unsecured interest-free loan of US$26,609,411.40 (equivalent to approximately HK$207,553,000) owing by the Target Company to the Seller at Closing
"SHIL"	Storage Holding I Ltd, an exempted company established under the laws of the Cayman Islands
"SML"	Storage Management Ltd, an exempted company established under the laws of the Cayman Islands
"SPA"	the formal sale and purchase agreement entered into between the Seller and the Purchaser in relation to the Acquisition on 16 July 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	Storage Portfolio Holding II Ltd, an exempted company established under the laws of the Cayman Islands
"Target Group"	the Target Company and its subsidiaries
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

For the purpose of this circular, unless otherwise indicated, conversion of US$ into HK$ are calculated at the exchange rate of US$1.0 to HK$7.8. This exchange rate is for purpose of illustration only and do not constitute a representation that any amount has been, could have been, or may be, exchanged at this or another rate.

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

(Stock Code: 896)

Directors:
Mr. Cha Mou Sing, Payson*
Mr. Wong Sue Toa, Stewart *(Managing Director)*
Mr. Tai Sai Ho *(General Manager)*
Mr. Lo Kai Cheong
Mr. Cha Mou Daid, Johnson*
Dr. Zhang Wei*
(also alternate director to Mr. Cha Mou Sing, Payson)
Mr. Chan Pak Joe#
Dr. Lau Tze Yiu, Peter#
Dr. Sun Tai Lun#

* *Non-executive Directors*
\# *Independent Non-executive Directors*

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

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

25 September 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE SALE SHARES AND THE SHAREHOLDER LOAN
OF A TARGET COMPANY**

INTRODUCTION

References are made to the announcements made by the Company on 16 July 2019, 25 July 2019 and 12 September 2019 in relation to the Acquisition. On 16 July 2019 (after trading hours), the Purchaser, an indirect wholly owned subsidiary of the Company, entered into the SPA with the Seller, pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Shareholder Loan at the Consideration.

The purpose of this circular is to provide you with further details of the Acquisition and other information required under the Listing Rules.

THE SPA

The principal terms of the SPA are summarised as follows:

Date

16 July 2019

Parties

(a) the Purchaser

(b) the Seller

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

Subject Matter

Subject to the terms and conditions of the SPA, the Purchaser has conditionally agreed to purchase from the Seller, the Sale Shares (representing the entire issued and paid-up share capital of the Target Company) and the Shareholder Loan, all free and clear of any encumbrances (other than certain permitted encumbrances as agreed in the SPA and the Existing Bank Loans which shall be repaid in full upon Closing) at the Consideration (i.e. the aggregate sum of (a) the Base Purchase Price of HK$735,000,000; and (b) the Final NAV).

The Target Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Target Company:

(a) is principally engaged in the self-storage business through MAL;

(b) holds the Properties through SHIL, which consist of:

(i) the Minibox Tower (美利倉大廈) (formerly known as Minico Building (美利倉大廈) and PCL Group Building (弘茂集團大廈)), No.18 Lee Chung Street, Chai Wan, Hong Kong;

(ii) Portion 1 of Unit A on 4/F., Portion 2 of Unit A (including the Flat Roof appurtenant thereto) on 4/F. and Car Parking Space No. 12 on G/F. of Chaiwan Industrial Centre, No. 20 Lee Chung Street, Chai Wan, Hong Kong; and

(iii) Unit N-3 on 1/F. and Staircases Nos. R4, R5 and R6 on G/F. of Block 3 of Kwun Tong Industrial Centre (官塘工業中心), Nos. 448-458 Kwun Tong Road, Kowloon, Hong Kong, Unit Q-4 (including the Flat Roof appurtenant thereto) on 1/F. of Block 4 of Kwun Tong Industrial Centre (官塘工業中心), Nos. 436-446 Kwun Tong Road, Kowloon, Hong Kong and Car Parking Spaces Nos. 55 and 56 on G/F. of Kwun Tong Industrial Centre (官塘工業中心), Nos. 436-484 Kwun Tong Road, Kowloon, Hong Kong.

Consideration

The Consideration shall be the aggregate sum of (a) the Base Purchase Price of HK$735,000,000; and (b) the Final NAV (i.e. the Final Purchase Price).

The Consideration shall be paid in the following manners:

(a) an aggregate sum of HK$73,500,000, being the Deposit, has been paid to the Seller's solicitors as stakeholders upon signing of the SPA;

(b) the remaining balance of the Estimated Purchase Price after deducting the Deposit shall be paid upon Closing; and

(c) the difference between the Estimated Purchase Price and the Final Purchase Price (if any) shall be settled in the manner and in such time as described under the paragraphs headed "The SPA – Adjustments to the Consideration and the Payment Schedule" below.

On 30 August 2019, a sum of HK$663,206,155 as the remaining balance of the Estimated Purchase Price (inclusive of the split paid to the bank at the request of the Seller to repay the Existing Bank Loans) has been paid upon Closing.

Adjustments to the Consideration and the Payment Schedule

For the purpose of carrying out the Closing, the Seller and the Purchaser agree to first adopt the Estimated Purchase Price as the initial consideration. Accordingly, the Purchaser shall pay the remaining balance to the Estimated Purchase Price after deducting the Deposit upon Closing.

The Final Closing Accounts shall then be prepared by the Seller within sixty days after the Closing with all figures agreed by the Purchaser (or otherwise determined by the Accountant if the Purchaser does not agree to the figures) in the manner set out in the SPA. The Seller and the Purchaser shall then calculate the Final Purchase Price with reference to the figures as shown in the Final Closing Accounts, and make the adjustment (if any) as follows:

(a) if the Final Purchase Price exceeds the Estimated Purchase Price, the Purchaser shall, within 10 Business Days after the figures in the Final Closing Accounts have been agreed by the Purchaser (or otherwise determined by the Accountant), pay to the Seller an amount equal to such excess;

(b) if the Final Purchase Price is less than the Estimated Purchase Price, the Seller shall, within 10 Business Days after the figures in the Final Closing Accounts have been agreed by the Purchaser (or otherwise determined by the Accountant), pay to the Purchaser an amount equal to such deficiency; or

(c) if the Final Purchase Price is equal to the Estimated Purchase Price, then neither the Purchaser nor the Seller shall be required to make any payment.

The price for the novation of the Shareholder Loan shall be the face value of the total outstanding amount of the Shareholder Loan as at Closing and the price for the sale of the Sale Shares shall be the amount of the Consideration less the price for the novation of the Shareholder Loan.

The Consideration was determined and arrived at after arm's length negotiation between the Seller and the Purchaser, having taken into account the offer prices of comparable industrial properties in nearby locations and the face value of the Shareholder Loan. The Consideration will be settled in cash and be fully funded by the internal resources of the Group.

Rectification Works

Prior to the signing of the SPA, the Target Group has entered into certain contracts for carrying out the Rectification Works. It is agreed in the SPA that at any time prior to the Closing, the Seller may, at its option, cause the Target Group to instruct the relevant service provider(s) to cease any of the Rectification Works and reach the Rectification Settlement with an agreed settlement amount payable to the relevant service providers.

Prior to the Closing, the Seller agrees to bear and pay:

(a) any and all costs incurred or committed in connection with the Rectification Settlement on behalf of the relevant member of the Target Group at the Seller's cost (if a Rectification Settlement is reached prior to the Closing); and

(b) any and all costs incurred or committed in connection with the Rectification Works on behalf of the relevant member of the Target Group at the Seller's cost (if no Rectification Settlement is reached prior to the Closing),

failing which, all such costs incurred in connection with the Rectification Settlement and/or all such costs incurred in connection with the Rectification Works shall be considered as part of the Liabilities for the purpose of calculating the Estimated NAV and Final NAV.

Conditions Precedent

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

(a) the following inter-company balances (if any) being fully settled on or prior to the Closing:

(i) inter-company balance between SML and the Seller;

(ii) inter-company balance between the Target Company and BRE Asia Pte. Ltd.; and

(iii) inter-company balance between SML and BRE Asia Pte. Ltd.;

(b) neither the Seller nor the Target Group having received a notice from the Government for resumption, seizure, nationalisation or similar action of more than 50% of the gross floor area of the Properties;

(c) SHIL has title to the Properties in accordance with section 13 of the CPO and is able to give good title to the Properties to the Purchaser in accordance with section 13A of the CPO as at the Closing Date; provided that the Purchaser agrees to waive its right to raise any objection or requisition on title in relation to certain permitted encumbrances as agreed in the SPA;

(d) no Material Adverse Change having occurred on or before Closing; and

(e) the fundamental warranties of the Seller as set out in the SPA remaining true and correct as of the date of the SPA and as of the Closing Date.

As at 30 August 2019, all of the Conditions Precedent have been fulfilled.

Closing

With the satisfaction (or waiver in writing by the Seller and/or the Purchaser) of the Conditions Precedent, the Closing has taken place on 30 August 2019 (i.e. the Closing Date).

The Seller and the Purchaser agree that the sale and purchase of the Sale Shares and the novation of the Shareholder Loan together form an integral transaction and therefore are inter-conditional (i.e. all transactions for the sale and purchase of the Sale Shares and the novation of the Shareholder Loan shall be subject to a single agreement, i.e. the SPA) and the completion of the sale and purchase of the Sale Shares and the novation of the Shareholder Loan shall be carried out and proceed simultaneously.

Pre-closing Undertakings

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

Warranties

The Seller has given certain customary warranties in relation to the Target Group, the Properties, the Sale Shares, the Shareholder Loan and the business carried out by the Target Company through MAL for agreement of similar nature and size in the SPA.

The liability of the Purchaser for claims and breaches of the terms in the SPA shall not exceed the Final Purchase Price. The Seller shall not be entitled to claim for any indirect or consequential loss.

The total maximum aggregate liability of the Seller under the SPA and all of its related transaction documents shall not exceed the Final Purchase Price (for a claim under or in relation to the fundamental warranties as prescribed under the SPA); or 15% of the Final Purchase Price (for any other claim) provided always that all claims under the SPA and in other documents related to the Acquisition should not exceed 100% of the Final Purchase Price.

Costs

Each party shall pay its own legal and other costs and expenses in connection with the negotiation, preparation, execution and completion of the SPA and other transaction documents.

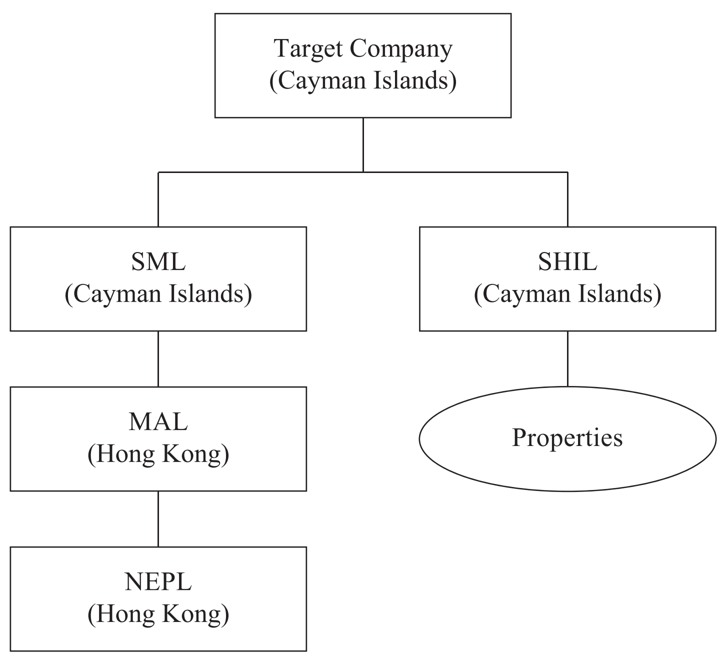
INFORMATION ON THE TARGET COMPANY AND THE PROPERTIES

The Target Company is a holding company incorporated in the Cayman Islands with limited liability. The Target Company:

(a) is principally engaged in the self-storage business through MAL; and

(b) holds the Properties through SHIL.

Immediately prior to Closing, each member of the Target Group is wholly owned by the Seller. Upon Closing, each member of the Target Group will be wholly owned by the Purchaser and therefore an indirect wholly owned subsidiary of the Company. Set out below is the shareholding structure of the Target Group immediately prior to the Closing:



Immediately prior to the Closing and as at the Latest Practicable Date, the Properties are leased by SHIL (as landlord) to MAL (as tenant). In carrying out the self-storage business, certain premises of the Properties are licensed to the customers of MAL and accordingly the Acquisition is subject to the aforesaid existing storage licences.

According to the property valuation report prepared by Jones Lang Lasalle Limited, an independent professional property valuer, which is set out in Appendix V to this circular, the market value of the Properties as at 31 July 2019 was HK$742,900,000.

The fair value of the Properties as stated in the consolidated statements of the financial positions of the Target Group as at 31 March 2019 was approximately HK$736.3 million (US$94,394,904, translated at a rate of US$1 to HK$7.8) while the unaudited fair value of the Properties as valued by Jones Lang Lasalle Limited as at 31 July 2019 was approximately HK$742.9 million. The table below sets forth the reconciliation of the value of the Properties from the audited consolidated statements of the financial position of the Target Group as at 31 March 2019 to their respective unaudited fair value valued by Jones Lang Lasalle Limited as at 31 July 2019:

	Investment properties
Fair value as at 31 March 2019 (US$)	94,394,904
Translate at a rate of US$1 to HK$7.8:	
Fair value as at 31 March 2019 (HK$)	736,280,251
Add: Addition (HK$)	330,000
Add: Fair value gain (HK$)	6,289,749
Valuation as at 31 July 2019 per valuation report set out in Appendix V to this circular (HK$)	742,900,000

Set out below is the audited consolidated financial information of the Target Group for the year ended 31 December 2017 and the year ended 31 December 2018:

	For the year ended 31.12.2017 *(US$)*	**For the year ended 31.12.2018** *(US$)*
Net profit before taxation and extraordinary items	7,908,664 (equivalent to approximately HK$61,688,000)	18,168,248 (equivalent to approximately HK$141,712,000)
Net profit after taxation and extraordinary items	7,610,847 (equivalent to approximately HK$59,365,000)	17,919,422 (equivalent to approximately HK$139,771,000)

The audited consolidated total asset value and the audited consolidated net asset value of the Target Group as at 31 December 2018 is approximately US$91,990,941 (equivalent to approximately HK$717,529,000) and US$35,086,345 (equivalent to approximately HK$273,673,000) respectively.

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

INFORMATION ON THE COMPANY AND THE PURCHASER

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

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

INFORMATION ON THE SELLER

The Seller is a limited company incorporated in the Cayman Islands and its principal business activity is investment in the Target Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Seller is owned by the Funds and none of the Funds hold shares of the Company. The Directors do not have information or knowledge on the ultimate beneficial owners of the Funds.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

As set out in the section headed "Information on the Target Company and the Properties", the Properties will be sold to the Purchaser subject to, and with the benefit of, existing tenancies of the Properties. The latest monthly rental of such tenancies is approximately HK$580,000 (inclusive of management fee, government rent and rates). Upon Closing, the Company will enjoy rental income from the Properties which will have a positive effect on the earnings of the Company.

Assets and liabilities

Upon Completion, the total assets and total liabilities of the Company are expected to increase by approximately HK$17,137,000 and increase by approximately HK$12,706,000 respectively immediately after Closing, due to the consolidation of the Target Group.

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

REASONS FOR THE ACQUISITION

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

The Directors (including the independent non-executive Directors) consider that the Acquisition and the transactions contemplated under the SPA are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and would recommend the shareholders to vote in favour of the resolution to approve the Acquisition and the transactions contemplated thereunder if the Company were to convene an extraordinary general meeting to approve the Acquisition.

LISTING RULES IMPLICATIONS

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and is required to abstain from voting if the Company is to convene an extraordinary general meeting for the approval of the Acquisition. The Company has obtained written approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising CCM Trust (Cayman) Limited and its subsidiaries and LBJ Regents Limited which are beneficially interested in 487,702,041 and 61,022,931 shares in the Company respectively, representing in total 50.30% of the entire issued share capital of the Company as at the Latest Practicable Date. CCM Trust (Cayman) Limited and LBJ Regents Limited hold shares in the Company as the trustees of certain but not identical discretionary trusts of which members of the Cha Family (comprising, inter alios, Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, being Directors) are among the discretionary objects. As such, no extraordinary general meeting will be convened for the purpose of approving the Acquisition.

POST-CLOSING UPDATES

Subsequent to Closing, the Company has disposed the entire issued and paid-up share capital of SML together with its subsidiaries (i.e. MAL and NEPL) at a consideration of HK$20,000,000 (subject to adjustment of current assets less current liabilities at date of completion of the disposal, plus HK$5,240,376 being the initial net asset value adjustments, which shall be subject to further adjustments based on the audited completion accounts (if any)) to Sand Business Holdco Limited (a limited liability company incorporated under the laws of the British Virgin Islands), which is a third party independent of the Company. Out of the consideration, HK$7,000,000 is the payment for the rental of the Properties for periods ranging from 6 months to 14 months commencing from the Closing Date.

The consideration for the disposal of SML was determined and arrived at after arm's length negotiations between the parties having considered (a) the market value of the Properties as at 31 July 2019 in the sum of HK$742,900,000; (b) the Consideration for the Acquisition in the sum of HK$735,000,000; (c) the payment for the rental of the Properties in the sum of HK$7,000,000; and (d) the business value of the storage business conducted by SML through its subsidiaries. The Consideration for the Acquisition is determined based on the value of the Properties and not the value of storage business conducted by SML through its subsidiaries. The disposal of SML is on normal commercial terms and are fair and reasonable. The Directors believe that the consideration for the disposal of SML presents a valuable opportunity for the Group to obtain a gain from the disposal and is in the interests of the Company and its Shareholders as a whole.

After the disposal of SML, the Target Group is engaged in property investment only and no longer engaged in self-storage business. The Directors believe that the disposal of SML could allow the Group to focus on its principal businesses of construction, interior and renovation works, supply and installation of building materials, property investment, property development, provision of property agency and management services and sale of health products.

As the highest applicable ratio (as defined in the Listing Rules) for the disposal of SML is below 5%, it does not constitute a notifiable transaction for the Company and is not subject to announcement or reporting requirements under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Wong Sue Toa, Stewart
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 March 2017, 2018 and 2019 are disclosed in the annual reports of the Company in respect of the same year dated 13 June 2017 (pages 124-284), 26 June 2018 (pages 138-307) and 25 June 2019 (pages 127-349) respectively, which have been published on the website of the Company (www.hanison.com.hk) and the website of the Stock Exchange (www.hkexnews.hk), and which can be accessed by the direct hyperlinks below:

(1) annual report of the Company for the year ended 31 March 2017 dated 13 June 2017 (pages 124-284):

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0720/LTN20170720618.pdf

(2) annual report of the Company for the year ended 31 March 2018 dated 26 June 2018 (pages 138-307):

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0719/ltn20180719326.pdf

(3) annual report of the Company for the year ended 31 March 2019 dated 25 June 2019 (pages 127-349):

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0724/ltn20190724115.pdf

2. WORKING CAPITAL

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

3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 July 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following indebtedness:

(a) bank loans of approximately HK$331,950,000 which were guaranteed by one of the Company's subsidiaries and bank loans of approximately HK$257,000,000 were unguaranteed. All the bank loans were secured by certain leasehold land and buildings and investment properties of the Enlarged Group. In addition, the Target Company had a loan from its immediate holding company with a principal amount of approximately HK$207,553,000 which was unsecured and unguaranteed; and

(b) lease liabilities amounting to approximately HK$9,212,000 which were secured by rental deposits amounting to approximately HK$1,963,000 and unguaranteed, and lease liabilities amounting to approximately HK$3,270,000 which were unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 July 2019, the Enlarged Group did not have any any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or any material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

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

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 March 2019, the audited consolidated revenue for continuing and discontinued operations was HK$2,315,007,000 (for the year ended 31 March 2018: HK$2,849,504,000) and audited consolidated net profits after tax was HK$578,022,000 (for the year ended 31 March 2018: HK$616,298,000).

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

6. ACQUISITIONS AFTER 31 MARCH 2019 BEING THE DATE TO WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP WERE MADE UP

After 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, the Group has acquired or proposed to acquire the following interests in the share capital of various companies:

(a) the acquisition of the property comprising all that piece or parcel of ground registered in the Land Registry known as KWUN TONG INLAND LOT NO. 567 and of and in the messuages erections and building thereon, Kowloon, Hong Kong and all that piece or parcel of ground registered in the Land Registry known as KWUN TONG INLAND LOT NO. 568 and of and in the messuages erections and building thereon at an aggregate purchase price of HK$489,000,000 which was satisfied in cash. Further details of the acquisition are set out in the announcements of the Company dated 12 March 2019 and 15 April 2019; and

(b) the Sale Shares and the Shareholder Loan.

Save as disclosed above, no business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Company was acquired, agreed to be acquired or proposed to be acquired by the Group after 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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

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

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF STORAGE PORTFOLIO HOLDING II LTD AND ITS SUBSIDIARIES

TO THE DIRECTORS OF HANISON CONSTRUCTION HOLDINGS LIMITED

INTRODUCTION

We report on the historical financial information of Storage Portfolio Holding II Ltd (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages 25 to 91, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 25 to 91 forms an integral part of this report, which has been prepared for inclusion in the circular of Hanison Construction Holdings Limited (the "Company") dated 25 September 2019 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information 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 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 Target Group's financial position as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The Directors are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period 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 Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE 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 25 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividend was paid or declared by the Target Company in respect of the Relevant Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 September 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

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

The Historical Financial Information is presented in US dollar ("US$"), which is also the functional currency of the Target Company.

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	*US$*	*US$*	*US$*	*US$*	*US$*
					(unaudited)	
Revenue	*6*	3,756,190	3,556,398	3,090,241	855,425	691,658
Fair value changes of investment properties	*15*	338,610	8,909,642	19,549,419	13,442,253	5,187,433
Exchange gain, net		36,782	366,771	108,238	204,706	104,924
Other income	*7*	54,391	153,279	41,314	9,931	8,992
Other gains and losses	*8*	(129,822)	(526,723)	(29,681)	2,887	(3,568)
Impairment loss recognised on trade receivable		(16,330)	(34,762)	(22,312)	–	–
Administration fee		(512,046)	(59,136)	(47,458)	(8,444)	(8,832)
Audit fee		(55,911)	(51,865)	(48,323)	(10,516)	(10,825)
Legal and professional fees		(661,183)	(561,100)	(433,405)	(143,792)	(125,553)
Rental and management fees		(642,773)	(451,577)	(323,045)	(54,275)	(43,189)
Staff costs		(910,081)	(405,603)	(412,610)	(103,139)	(109,119)
Finance costs	*9*	(1,558,172)	(1,959,217)	(2,268,510)	(529,939)	(633,443)
Bank charges		(11,745)	(49,864)	(47,787)	(9,392)	(11,136)
Other expenses		(1,253,946)	(977,579)	(987,833)	(221,024)	(281,574)
(Loss)/profit before taxation		(1,566,036)	7,908,664	18,168,248	13,434,681	4,765,768
Income tax expense	*10*	(464,417)	(297,817)	(248,826)	(25,256)	(67,982)
(Loss)/profit for the year/period	*11*	(2,030,453)	7,610,847	17,919,422	13,409,425	4,697,786
Other comprehensive expense for the year/period						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operation		(36,911)	(352,294)	(113,484)	(214,234)	(108,893)
Total comprehensive (expense)/income for the year/period		(2,067,364)	7,258,553	17,805,938	13,195,191	4,588,893

The accompanying notes form an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2016	2017	2018	2019
	NOTES	*US$*	*US$*	*US$*	*US$*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	1,015,840	687,297	1,193,276	1,095,421
Right-of-use assets	*16*	–	–	–	272,616
Investment properties	*15*	60,173,545	69,617,354	89,207,471	94,394,904
Deferred tax assets	*17*	21,513	20,272	–	–
Deposits paid for leasehold improvements		422,417	91,441	569,859	932,825
Rental deposit		27,004	–	–	–
Other non-current asset		10,019	9,944	9,921	9,779
		61,670,338	70,426,308	90,980,527	96,705,545
CURRENT ASSETS					
Debtors, deposits and prepayments	*18*	521,855	401,432	373,740	374,125
Amount due from an intermediate holding company	*19*	1,000	–	–	–
Tax recoverable		20,210	90,376	–	–
Derivative financial asset	*20*	60,708	12,855	4,356	788
Inventories	*21*	19,585	27,377	28,269	27,975
Fixed time deposit	*22*	5,157	5,119	5,107	5,096
Bank balances and cash	*22*	3,039,354	2,019,145	598,942	1,981,882
		3,667,869	2,556,304	1,010,414	2,389,866
CURRENT LIABILITIES					
Other payables	*23*	1,972,574	1,298,171	1,115,921	986,661
Contract liabilities		–	–	39,668	34,219
Amount due to immediate holding company	*19*	285,648	331,646	479,646	2,518,759
Amount due to a related party	*19*	78,925	–	4,217	–
Lease liabilities	*24*	–	–	–	238,238
Bank borrowing	*25*	–	–	–	33,025,362
Taxation payable		332,936	61,282	54,382	104,436
		2,670,083	1,691,099	1,693,834	36,907,675
NET CURRENT ASSETS (LIABILITIES)		997,786	865,205	(683,420)	(34,517,809)
TOTAL ASSETS LESS CURRENT LIABILITIES		62,668,124	71,291,513	90,297,107	62,187,736
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*17*	224,928	337,278	486,130	503,979
Lease liabilities	*24*	–	–	–	35,987
Bank borrowing	*25*	32,802,635	32,901,776	33,000,916	–
Loan from immediate holding company	*26*	19,862,081	20,772,052	21,723,716	21,972,532
		52,889,644	54,011,106	55,210,762	22,512,498
NET ASSETS		9,778,480	17,280,407	35,086,345	39,675,238
CAPITAL AND RESERVES					
Share capital	*27*	1	243,375	243,375	243,375
Retained profits		5,038,592	12,649,439	30,568,861	35,266,647
Contribution reserve		4,845,363	4,845,363	4,845,363	4,845,363
Translation reserve		(105,476)	(457,770)	(571,254)	(680,147)
TOTAL CAPITAL AND RESERVES		9,778,480	17,280,407	35,086,345	39,675,238

The accompanying notes form an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	NOTES	Share capital US$	Retained profits US$	Contribution reserve* US$	Translation reserve US$	Total US$
At 1 January 2016		1	7,069,045	–	(68,565)	7,000,481
Loss for the year		–	(2,030,453)	–	–	(2,030,453)
Other comprehensive expense for the year		–	–	–	(36,911)	(36,911)
Total comprehensive expense for the year		–	(2,030,453)	–	(36,911)	(2,067,364)
Capital contribution	26	–	–	4,845,363	–	4,845,363
At 31 December 2016 and 1 January 2017		1	5,038,592	4,845,363	(105,476)	9,778,480
Profit for the year		–	7,610,847	–	–	7,610,847
Other comprehensive expense for the year		–	–	–	(352,294)	(352,294)
Total comprehensive income for the year		–	7,610,847	–	(352,294)	7,258,553
Issuance of shares	27	243,374	–	–	–	243,374
At 31 December 2017 and 1 January 2018		243,375	12,649,439	4,845,363	(457,770)	17,280,407
Profit for the year		–	17,919,422	–	–	17,919,422
Other comprehensive expense for the year		–	–	–	(113,484)	(113,484)
Total comprehensive income for the year		–	17,919,422	–	(113,484)	17,805,938
At 31 December 2018 and 1 January 2019		243,375	30,568,861	4,845,363	(571,254)	35,086,345
Profit for the period		–	4,697,786	–	–	4,697,786
Other comprehensive expense for the period		–	–	–	(108,893)	(108,893)
Total comprehensive income for the period		–	4,697,786	–	(108,893)	4,588,893
At 31 March 2019		243,375	35,266,647	4,845,363	(680,147)	39,675,238
(unaudited)						
At 1 January 2018		243,375	12,649,439	4,845,363	(457,770)	17,280,407
Profit for the period		–	13,409,425	–	–	13,409,425
Other comprehensive expense for the period		–	–	–	(214,234)	(214,234)
Total comprehensive income for the period		–	13,409,425	–	(214,234)	13,195,191
At 31 March 2018		243,375	26,058,864	4,845,363	(672,004)	30,475,598

* *The contribution reserve represents the fair value adjustment on non-current interest free loans payable to immediate holding company at initial recognition, as detailed in note 26.*

The accompanying notes form an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
	NOTES	*US$*	*US$*	*US$*	*US$*	*US$*
					(unaudited)	
OPERATING ACTIVITIES						
(Loss) profit before taxation		(1,566,036)	7,908,664	18,168,248	13,434,681	4,765,768
Adjustments for:						
Interest on secured bank borrowings	*9*	944,496	1,049,246	1,316,846	295,282	380,902
Imputed interest expenses	*9*	613,676	909,971	951,664	234,657	252,541
Depreciation	*14, 16*	338,610	268,219	321,652	76,878	158,604
Loss (gain) from changes in fair value of derivative financial asset	*8*	129,822	47,853	8,499	(2,887)	3,568
Impairment loss recognised on trade receivables		16,330	34,762	22,312	–	–
Fair value changes of investment properties	*15*	(338,610)	(8,909,642)	(19,549,419)	(13,442,253)	(5,187,433)
Interest income	*7*	(1,453)	(35)	(175)	(5)	(351)
Loss on write-off of property, plant and equipment	*8*	–	478,870	21,182	–	–
Unrealised exchange gain, net		(37,606)	(330,210)	(111,826)	(211,764)	(105,815)
Operating cash flows before movements in working capital		99,229	1,457,698	1,148,983	384,589	267,784
(Increase) decrease in debtors, deposits and prepayments		(136,025)	112,665	5,380	26,617	(385)
Decrease (increase) in inventories		185,619	(7,792)	(892)	431	294
Increase (decrease) in other payables		403,031	(680,531)	(203,704)	(198,082)	(135,929)
Increase (decrease) in contract liabilities		–	–	39,668	35,689	(5,449)
(Decrease) increase in amount due to a related party		–	(78,925)	4,217	–	(4,217)
Cash generated from operating activities		551,854	803,115	993,652	249,244	122,098
Income tax (paid) refund		(132,427)	(526,046)	3,774	1,051	–
Interest received		1,453	35	175	5	351
NET CASH FROM OPERATING ACTIVITIES		420,880	277,104	997,601	250,300	122,449
INVESTING ACTIVITIES						
Deposits paid for leasehold improvements		(422,417)	(91,691)	(478,418)	(18,032)	(362,966)
Purchase of property, plant and equipment	*14*	(124,428)	(110,362)	(850,029)	–	(4,426)
Addition to investment properties	*15*	(34,165)	(428,607)	(40,698)	(13,591)	–
Placement of fixed time deposit		(5,157)	–	–	–	–
Repayment of amount due from an intermediate holding company		–	1,000	–	–	–
NET CASH USED IN INVESTING ACTIVITIES		(586,167)	(629,660)	(1,369,145)	(31,623)	(367,392)

		Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
	NOTES	*US$*	*US$*	*US$*	*US$*	*US$*
					(unaudited)	
FINANCING ACTIVITIES						
Loans from immediate holding company		3,547,665	–	–	–	–
Advance from immediate holding company	*33*	35,814	289,372	151,115	–	2,039,113
Repayment to immediate holding company	*33*	–	–	(3,115)	(3,115)	–
Advances from a related party		28,791	–	–	–	–
Repayment of lease liabilities		–	–	–	–	(57,419)
Interest paid	*33*	(853,527)	(943,977)	(1,196,252)	(274,385)	(353,512)
Premium paid for derivative financial asset		(190,530)	–	–	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		2,568,213	(654,605)	(1,048,252)	(277,500)	1,628,182
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,402,926	(1,007,161)	(1,419,796)	(58,823)	1,383,239
EFFECT OF EXCHANGE DIFFERENCES ON TRANSLATION TO PRESENTATION CURRENCY		–	(13,048)	(407)	410	(299)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		636,428	3,039,354	2,019,145	2,019,145	598,942
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCE AND CASH		3,039,354	2,019,145	598,942	1,960,732	1,981,882

The accompanying notes form an integral part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General

The Target Company is an exempted company incorporated in the Cayman Islands. The addresses of the registered office and principal place of business are located at the offices of 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and 3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, respectively.

During the Relevant Periods, the Target Company's immediate holding company was Storage Portfolio Holding Ltd, a limited company incorporated in the Cayman Islands, and its ultimate holding entity was Blackstone Real Estate Partners Asia (NQ) L.P., a private limited partnership incorporated in the Cayman Island.

On 16 July 2019, Storage Portfolio Holding Ltd (the "Seller"), Excellence Sincere Limited (the "Purchaser"), a limited company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement, pursuant to which the Seller agreed to sell the entire issued share capital of the Target Company to the Purchaser (the "Acquisition"). The Acquisition was completed on 30 August 2019 and since then, the Target Company including its subsidiaries, has been wholly-owned by the Purchaser.

The principal activity of the Target Company is to serve as an investment holding company. The principal activities of the subsidiaries of the Target Company are set out in note 32 to the Historical Financial Information.

The Historical Financial Information is presented in United States dollars ("US$"), which is also the functional currency of the Target Company.

2. Basis of preparation of Historical Financial Information

Notwithstanding that the Target Group recorded a net current liabilities of US$34,517,809 as at 31 March 2019, the Historical Financial Information has been prepared on a going concern basis as the Purchaser has agreed to provide adequate funds for the Target Group as is necessary to enable the Target Group to meet in full its financial obligations for a further period of at least twelve months from the end of the Relevant Periods.

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs.

3. Application of new and amendments to HKFRSs and interpretations

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning 1 January 2019 throughout the Relevant Periods except that the Target Group has adopted i) HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue with Contracts with Customers" starting from 1 January 2018 and applied HKAS 39 "Financial Instruments: Recognition and Measurement" and HKAS 18 "Revenue" for the two years ended 31 December 2017; and ii) HKFRS 16 "Leases" starting from 1 January 2019 and applied HKAS 17 "Leases" for the three years ended 31 December 2018 and the three months ended 31 March 2018. Comparative information is not restated. Accordingly, certain comparative information is not comparable. The impact of these new and amendments to HKFRSs are described below.

New and amendments to HKFRSs and interpretations that are mandatorily effective for the Relevant Periods

The Target Group has applied a number of new and amendments to HKFRSs and interpretations issued by the HKICPA for the first time during the Relevant Periods. Of these, the following new and amendments to HKFRSs are relevant to the Target Group's Historical Financial Information.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKFRS 3	Definition of a Business
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HKFRS 16	Leases

The impacts of these new and amendments to HKFRSs are described below. The application of the other new and amendments to HKFRSs and interpretations during the Relevant Periods has had no material impact on the Target Group's financial performance and positions for the Relevant Periods and/or on the disclosures set out in the Historical Financial Information.

Amendments to HKAS 7 "Disclosure Initiative"

The Target Group has applied the amendments for the first time in the year ended 31 December 2017. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 33. Consistent with the transition provisions of the amendments, the Target Group has not disclosed comparative information for the year ended 31 December 2016. Apart from the additional disclosure in note 33, the application of these amendments has had no impact on the Historical Financial Information.

HKFRS 9 "Financial Instruments"

The Target Group has applied HKFRS 9 for the first time during the year ended 31 December 2018. HKFRS 9 superseded HKAS 39 and the related consequential amendments to other HKFRSs.

HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and lease receivables and (iii) general hedge accounting.

The Target Group applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9 with an initial application date of 1 January 2018. The Target Group has not restated the comparative information, which continues to be reported under HKAS 39.

Classification and measurement of financial assets and financial liabilities

The Target Group has applied the requirements of HKFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The classification of financial assets is based on two criteria: the Target Group's business model for managing the assets and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. There are no changes in classification and measurement of the Target Group's financial assets and financial liabilities.

Financial assets previously classified as loans and receivables under HKAS 39 continue to be measured at amortised cost under HKFRS 9 and the financial asset previously classified as at fair value through profit or loss ("FVTPL") are derivatives not designated as effective hedging instruments and continues to be measured at FVTPL under HKFRS 9.

Impairment under ECL model

HKFRS 9 requires an ECL model as opposed to an incurred credit loss model under HKAS 39. The ECL model requires the Target Group to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets and lease receivables. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Target Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables (representing lease receivables), except for those which had been determined as credit impaired under HKAS 39.

ECL for other financial assets measured at amortised cost, including other non-current asset, other deposits, fixed time deposit and bank balances and cash, are assessed on 12 month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the Directors reviewed and assessed the Target Group's existing financial assets and lease receivables for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The ECL is not significant to the Historical Financial Information.

No adjustment were made to retained profits as at 1 January 2018 upon application of HKFRS 9.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

HKFRS 15 "Revenue from Contracts with Customers"

The Target Group has applied HKFRS 15 for the first time during the year ended 31 December 2018. HKFRS 15 superseded HKAS 18, HKAS 11 "Construction Contracts" and the related interpretations.

The Target Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Target Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Target Group recognises revenue from the following major sources which arise from contracts with customers:

- Rental income
- Management fee income

Rental income is not under the scope of HKFRS 15 and continues to be accounted for under HKAS 17 or HKFRS 16 after 1 January 2019, as further detailed below.

As at 1 January 2018, deferred revenue of US$71,185 representing deposit received from customers previously included in deferred revenue under other payables was reclassified to contract liabilities presented on the face of the consolidated statement of financial position.

The Directors considered there is no significant impact on the amount and timing of recognition of the revenue from management services or on retained profits at 1 January 2018.

Without application of HKFRS 15, other payables of US$1,115,921 and contract liabilities of US$39,668 as reported as at 31 December 2018 would be US$1,155,589 and nil, respectively.

Information about the accounting policies resulting from application of HKFRS 15 and the Target Group's performance obligation are disclosed in notes 4 and 6 respectively.

HKFRS 16 "Leases"

The Target Group has applied HKFRS 16 for the first time during the three months period ended 31 March 2019. HKFRS 16 superseded HKAS 17 and the related interpretations.

Definition of a lease

The Target Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Target Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Target Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Target Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Target Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Target Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Target Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16 transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Target Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by relevant group entities is 4.77%.

	At 1 January 2019
	US$
Operating lease commitments as at 31 December 2018	344,298
Lease liabilities discounted at relevant incremental borrowing rates relating to operating lease recognised upon application of HKFRS 16 as at 1 January 2019	332,380
Analysed as:	
Current	238,807
Non-current	93,573
	332,380

The carrying amount of right-of-use assets (representing land and buildings) as at 1 January 2019 is the same as the lease liabilities.

Before the application of HKFRS 16, the Target Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. The application of the discounting effect on 1 January 2019 is considered not material at the initial application. Accordingly, there is no adjustment on right-of-use assets arising from discounting of refundable rental deposits.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	US$	*US$*	*US$*
Non-current asset			
Right-of-use assets	–	332,380	332,380
Current liability			
Lease liabilities	–	238,807	238,807
Non-current liability			
Lease liabilities	–	93,573	93,573

Note: For the purpose of reporting cash flows under indirect method for the three months ended 31 March 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for sub-leases in which the Target Group acts as an intermediate lessor, the Target Group is not required to make any adjustment on transition for leases in which the Target Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The Target Group has reassessed its subleases at the date of initial application and there has had no impact on the Historical Financial Information.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The Director considered that such adjustment has no material impact to the Historical Financial Information.

Effective on 1 January 2019, the Target Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the Historical Financial Information.

Amendments to HKFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Target Group has early adopted the amendments and there has had no impact on the Historical Financial Information.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]

[1] *Effective for annual periods beginning on or after a date to be determined*
[2] *Effective for annual periods beginning on or after 1 January 2021*
[3] *Effective for annual periods beginning on or after 1 January 2020*

The Directors anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Target Group in the foreseeable future.

4. Significant accounting policies

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties and derivative financial asset that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 or HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Target 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 listed above.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

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

Revenue from contracts with customers (upon application of HKFRS 15 on 1 January 2018)

Under HKFRS 15, the Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Group's performance in transferring control of goods or services.

Revenue recognition (prior to 1 January 2018)

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

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

Management fee income is recognised when services are provided.

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

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

Deferred income (prior to 1 January 2018)

Cash collections in advance of revenues recognised are recorded as deferred income until the revenue recognition criteria are met.

Leases (upon application of HKFRS 16 on 1 January 2019)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate standalone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Target Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases within the portfolio.

Short-term leases

The Target Group applies the short-term lease recognition exemption to leases of staff quarters and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The Target Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of use assets.

Lease liabilities

At the commencement date of a lease, the Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Target Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease payments received in advance

Lease payment received in advance of rental income recognised are recorded as lease payment received in advance until the rental income recognition criteria is met.

Lease modifications

The Target Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Target Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

The Group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Target Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Target Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Target Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Leasing (prior to 1 January 2019)

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments, including the cost of acquiring land under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Lease payments received in advance

Lease payment received in advance of rental income recognised are recorded as lease payment received in advance until the rental income recognition criteria is met.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Target Group's operations are translated into the presentation currency of the Target Group (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

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

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

Investment properties

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

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

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

Impairment on tangible assets

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using first-in, first-out method, comprises all purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 on 1 January 2018)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- 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 that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any foreign exchange gains and losses on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application of HKFRS 9 with transition in accordance with note 3)

The Target Group's impairment policy has been updated to align with the requirement of HKFRS 9 expected credit loss model. The Target Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Target Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other non-current asset, rental deposit, trade receivables (representing lease receivables), other deposits, fixed time deposit and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Target Group always recognises lifetime ECL for trade receivables (representing lease receivables). The ECL on these assets are assessed collectively using a provision matrix with appropicate groupings.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, 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. In making this assessment, the Target Group considers historical experience and forward-looking information that is available without undue cost or effort.

The Target Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17/HKFRS 16.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the original effective interest rate.

If the Target Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Target Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Target Group's financial assets are classified as financial assets at FVTPL or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated as at FVTPL. The Target Group's financial assets at FVTPL are held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other gains and losses" line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other non-current asset, trade receivables, other deposits, amount due from an intermediate holding company, fixed time deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

An objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

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

Financial liabilities and equity instrument

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

Financial liabilities at amortised cost

Financial liabilities (including other payables (except for deferred revenue, contract liabilities and advance lease payment), amount due to immediate holding company, amount due to a related party, bank borrowing and loan from immediate holding company) are subsequently measured at amortised cost, using the effective interest method.

Equity instrument

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

Derivative financial instruments

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

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Target Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Income taxes

No deferred tax asset has been recognised on the tax losses of approximately US$2,231,545, US$2,900,000, US$3,864,000 and US$4,054,000 as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

Valuation of investment properties

The Target Company's investment properties are stated at fair value of US$60,173,545, US$69,617,354, US$89,207,471 and US$94,394,904 as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. In estimating the fair value of the Target Group's investment properties, the Target Group uses market-observable data to the extent they are available. At the end of each reporting period, the management of the Target Group works closely with the independent professional valuer or internal investment team to establish and determine the appropriate valuation techniques and key inputs for fair value of the assets. In relying on the valuation, management of the Target Group has exercised its judgment and is satisfied that the valuation techniques and assumptions used are reflective of the market conditions. Information about the valuation techniques and key inputs used in determining the fair value of the Target Group's investment properties is disclosed in note 15.

6. Revenue and segment information

Revenue

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
Rental income	3,509,245	3,279,302	2,860,151	789,860	643,813
Management fee income	246,945	277,096	230,090	65,565	47,845
	3,756,190	3,556,398	3,090,241	855,425	691,658

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The unguaranteed residual value of the investment properties does not represent a significant risk for the Target Group, as they relate to property which is located in a location with constant increase in general in value over the last 3 years. The Target Group did not identify any indications that this situation will change. Rental agreement with tenants normally carry a term of 1 year but tenants have the right to terminate any time with 14 days notice. Accordingly, the minimum lease receivables and operating lease commitment (as a lessor) disclosures are not made.

The Target Group provides management fee service to lessee under its sub-leasing business. Under the agreements signed with the lessees, the Target Group is entitled to fixed monthly management fee. The customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs, and accordingly, the revenue is recognised over time.

All services within the scope of HKFRS 15 (i.e. management fee income and others) are for period of one year or less. For both income, the Target Group applied the practical expedient in HKFRS 15 to recognise revenue in the amount that the Target Group has the right to invoice based on the terms of the relevant agreements in which the Target Group bills a fixed monthly amount. As permitted under HKFRS 15, the transaction price of all these services allocated to the remaining performance obligations as at the end of each reporting period is not disclosed.

Segment information

The Target Group determines its operating segments based on the reports reviewed by the Directors, being the chief operating decision maker (the "CODM"), that are used to make strategic decisions. Information reported to the CODM, for the purposes of resource allocation and assessment focuses on revenue analysis by location of self-storage units. No other discrete financial information is provided other than the Target Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Information about major customers

There were no customers contributing over 10% of the Target Group's total revenue for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019.

Geographical information

All of the Target Group's revenue is derived from activities and customers located in Hong Kong and the Target Group's non-current assets are all located in Hong Kong.

7. Other income

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Bank interest income	1,453	35	175	5	351
Sundry income *(note)*	52,938	153,244	41,139	9,926	8,641
	54,391	153,279	41,314	9,931	8,992

Note: Sundry income mainly represents carpark fee and fee charged to customers for late payments.

8. Other gains and losses

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Loss on write-off of property, plant and equipment	–	(478,870)	(21,182)	–	–
(Loss) gain from changes in fair value of derivative financial asset	(129,822)	(47,853)	(8,499)	2,887	(3,568)
	(129,822)	(526,723)	(29,681)	2,887	(3,568)

9. Finance costs

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Interest on loan from immediate holding company *(note)*	613,676	909,971	951,664	234,657	248,816
Interest on secured bank borrowing	944,496	1,049,246	1,316,846	295,282	380,902
Interest on lease liabilities	–	–	–	–	3,725
	1,558,172	1,959,217	2,268,510	529,939	633,443

Note: The amount represents imputed interest arising on amortisation of fair value adjustment of non-interest bearing and non-current loan from immediate holding company.

10. Income tax expense

The tax charge comprises:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Hong Kong Profits Tax:					
Current year	126,667	190,000	144,117	67,164	50,133
Under (over) provision in respect of prior year	246,751	(5,774)	(64,415)	(64,415)	–
	373,418	184,226	79,702	2,749	50,133
Deferred tax charge *(note 17)*	90,999	113,591	169,124	22,507	17,849
	464,417	297,817	248,826	25,256	67,982

Current income tax is derived from the assessable income of the Target Group's operations in Hong Kong during the year/period. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year/period.

The tax charge for the year/period can be reconciled to the (loss) profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
(Loss) profit before taxation	(1,566,036)	7,908,664	18,168,248	13,434,681	4,765,768
Tax at the domestic income tax rate of 16.5%	(258,396)	1,304,929	2,997,761	2,216,722	786,352
Tax effect of income not taxable for tax purposes	(92,953)	(1,546,757)	(3,286,404)	(2,220,703)	(855,985)
Tax effect of expenses not deductible for tax purposes	390,786	432,744	439,320	92,056	106,975
Tax effect of tax loss not recognised	202,601	113,397	160,071	–	32,275
Under (over) provision of tax in respect of prior year	246,751	(5,774)	(64,415)	(64,415)	–
Others	(24,372)	(722)	2,493	1,596	(1,635)
Tax charge for the year	464,417	297,817	248,826	25,256	67,982

The Group has estimated unused tax losses of approximately US$2,231,545, US$2,900,000, US$3,864,000 and US$4,054,000 as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, available for offset against future profits. No deferred tax asset has been recognised in relation to such tax losses as it is not probable that taxable profit will be available against which the tax losses can be utilised.

11. (Loss)/profit before taxation

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
(Loss)/profit before taxation has been arrived at after charging:					
Director's remuneration *(note a)*	–	–	–	–	–
Other staff costs – salaries and allowance	893,562	390,704	396,623	98,779	104,564
Retirement benefits scheme contributions *(note b)*	16,519	14,899	15,987	4,360	4,555
Total staff costs	910,081	405,603	412,610	103,139	109,119
Auditor's remuneration	55,911	51,865	48,323	10,516	10,825
Depreciation	338,610	268,219	321,652	76,818	158,604
Gross rental income from investment properties	3,509,245	3,279,302	2,860,151	789,860	643,813
Less: Direct operation expenses incurred for investment properties that generated rental income during the year/period	(642,773)	(451,577)	(323,045)	(54,275)	(43,189)
	2,866,472	2,827,725	2,537,106	735,585	600,624

Notes:

(a) Director's emoluments

No remuneration was paid or is payable to the sole director of the Target Company namely Blackstone Real Estate Holdings Director L.L.C. in respect of its services acting as the sole director during the Relevant Periods. The sole director received remunerations from entities in the group headed by Blackstone Real Estate Partners Asia (NQ) L.P., the ultimate holding company of the Target Group during the Relevant Periods. The sole director is of the opinion that the services provided to the Target Group only occupy an insignificant amount of time and no remuneration is allocated to the Target Group.

Mr. Wong Sue Toa Stewart and Mr. Tai Sai Ho were appointed as directors and Blackstone Real Estate Holdings Director L.L.C. was resigned as sole director of the Target Company on 30 August 2019.

(b) Retirement benefits plans

The Group participates in both a defined contribution scheme which is registered under Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

(c) Five highest paid employees

Details of remuneration of top five highest paid employees who are not director of the Target Comany are as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Salaries and other emoluments	169,316	217,195	228,546	50,559	52,826
Retirement benefits	6,964	8,252	8,689	2,050	2,324
	176,280	225,447	237,235	52,609	55,150

12. (Loss) earnings per share

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

13. Dividend

No dividend was paid or declared by the Target Company in respect of the Relevant Period.

14. Property, plant and equipment

	Leasehold improvements *US$*	Computers, Software and office equipment *US$*	Total *US$*
COST			
At 1 January 2016	1,009,692	383,683	1,393,375
Additions	37,846	86,582	124,428
Transfer	(10,864)	10,864	–
Currency translation differences	(492)	(107)	(599)
At 31 December 2016 and 1 January 2017	1,036,182	481,022	1,517,204
Additions *(note)*	351,867	73,356	425,223
Written off	(701,161)	(42,414)	(743,575)
Currency translation differences	(6,753)	(3,661)	(10,414)
At 31 December 2017 and 1 January 2018	680,135	508,303	1,188,438
Additions	356,863	493,166	850,029
Written off	(248,295)	(1,903)	(250,198)
Currency translation differences	(1,478)	(817)	(2,295)
At 31 December 2018 and 1 January 2019	787,225	998,749	1,785,974
Additions *(note)*	–	4,426	4,426
Currency translation differences	(1,815)	(2,305)	(4,120)
At 31 March 2019	785,410	1,000,870	1,786,280

	Leasehold improvements	Computers, Software and office equipment	Total
	US$	*US$*	*US$*
ACCUMULATED DEPRECIATION			
At 1 January 2016	128,619	33,960	162,579
Charge for the year	234,942	103,668	338,610
Currency translation differences	101	74	175
	363,662	137,702	501,364
At 31 December 2016 and 1 January 2017	363,662	137,702	501,364
Charge for the year	166,648	101,571	268,219
Written off	(250,566)	(14,139)	(264,705)
Currency translation differences	(2,475)	(1,262)	(3,737)
At 31 December 2017 and 1 January 2018	277,269	223,872	501,141
Charge for the year	190,682	130,970	321,652
Written off	(227,113)	(1,903)	(229,016)
Currency translation differences	(659)	(420)	(1,079)
At 31 December 2018 and 1 January 2019	240,179	352,519	592,698
Charge for the period	51,317	48,260	99,577
Currency translation differences	(580)	(836)	(1,416)
At 31 March 2019	290,916	399,943	690,859
CARRYING AMOUNT			
At 31 December 2016	672,520	343,320	1,015,840
At 31 December 2017	402,866	284,431	687,297
At 31 December 2018	547,046	646,230	1,193,276
At 31 March 2019	494,494	600,927	1,095,421

The above items of property, plant and equipment are depreciated on a straight line basis at the rates as follows:

Leasehold improvements	Over the remaining lease term or 5 years, whichever shorter
Computers and software and office equipment	5 – 7 years

Note: During the year ended 31 December 2017, deposit paid for leasehold improvement of US$314,861 in year ended 31 December 2016 were transferred to leasehold improvement.

15. Investment properties

	US$
FAIR VALUE	
At 1 January 2016	59,800,770
Additions	34,165
Increase in fair value recognised in profit or loss	
– Unrealised gain	338,610
At 31 December 2016 and 1 January 2017	60,173,545
Additions *(note)*	534,167
Increase in fair value recognised in profit or loss	
– Unrealised gain	8,909,642
At 31 December 2017 and 1 January 2018	69,617,354
Additions	40,698
Increase in fair value recognised in profit or loss	
– Unrealised gain	19,549,419
At 31 December 2018 and 1 January 2019	89,207,471
Increase in fair value recognised in profit or loss	
– Unrealised gain	5,187,433
At 31 March 2019	94,394,904

Note: During the year ended 31 December 2017, deposit paid for leasehold improvement of US$105,560 in year ended 31 December 2016 were transferred to investment properties.

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

All of the Target Group's investment properties at 31 December 2016, 2017 and 2018 and 31 March 2019 are situated in Hong Kong. The fair values of the Target Group's investment properties as at these dates were arrived at on the basis of valuation by Colliers International (Hong Kong) Limited, an independent professional valuer not connected to the Target Group whose address is Suite 5701, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, except for the valuation as at 31 December 2018 which were assessed by the management of the Target Group.

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

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Carrying value of investment properties held by the Target Group	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
US$				
31 December 2016: 60,173,545 31 December 2017: 69,617,354	Level 3	Market approach which makes reference to compare recent sales transactions as available in the relevant market. The key inputs are: (1) Price per square feet; and (2) Level adjustment	Price per square feet, using market direct comparables and taking into account of time, location, building age, building quality, view, size, floor level, usage, loading and headroom of US$644/sq.ft.* – US$714/sq.ft.*, and US$713/sq.ft.* – US$796/sq.ft.*, respectively as at 31 December 2016 and 2017, respectively. Level adjustment on individual floors of the property range from -10% to 16% on specific levels.	The higher the price per square feet, the higher the fair value.The higher the level adjustment, the lower the fair value.
31 December 2018: 89,207,471 31 March 2019: 94,394,904	Level 3	Income approach using discounted cash flow model. The key inputs are capitalisation rate and rental growth rate	Capitalisation rate of 3.3% and ranged from 2.25% to 3%, respectively as at 31 December 2018 and 31 March 2019 Rental growth rate of 8.9% and 5%, respectively as at 31 December 2018 and 31 March 2019	The higher the capitalisation rate, the lower the fair value. The higher the rental growth rate, the higher the fair value.

* *The price per square feet excludes roof space, car park space, lorry space, and container space.*

Note: As at 31 December 2018, the valuation techniques used for determining the fair value of the investment properties were changed from market approach to income approach as the management of the Target Group considers that there were limited market comparables for similar properties that were appropriate to assess the fair value of these properties.

There were no transfers into or out of Level 3 during the Relevant Periods.

All of the Target Group's investment properties have been pledged to secure banking facility granted to the Target Group.

16. Right-of-use assets

	Leasehold land and buildings
	US$
COST	
At 1 January 2019 – adjustment upon application of HKFRS 16	332,380
Currency translation difference	(766)
At 31 March 2019	331,614
ACCUMLATED DEPRECIATION	
At 1 January 2019	–
Charges for the period	59,027
Currency translation difference	(29)
At 31 March 2019	58,998
CARRYING AMOUNT	
At 1 January 2019	332,380
At 31 March 2019	272,616

Right-of-use assets are depreciated on a straight line basis over the remaining lease term.

17. Deferred taxation

The following is the analysis of the deferred tax balances for the purpose of presentation in the consolidated statements of financial position:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	US$	*US$*	*US$*	*US$*
Deferred tax assets	21,513	20,272	–	–
Deferred tax liabilities	(224,928)	(337,278)	(486,130)	(503,979)
	(203,415)	(317,006)	(486,130)	(503,979)

The following are the deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation			
	As at 31 December			As at 31 March
	2016	2017	2018	2019
	US$	*US$*	*US$*	*US$*
At 1 January	(112,416)	(203,415)	(317,006)	(486,130)
Charge to profit or loss *(note 10)*	(90,999)	(113,591)	(169,124)	(17,849)
At 31 December/31 March	(203,415)	(317,006)	(486,130)	(503,979)

18. Debtors, deposits and prepayments

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	US$	*US$*	*US$*	*US$*
Trade receivables	114,954	118,469	106,003	120,939
Less: impairment allowance	(16,330)	–	(22,312)	(21,320)
	98,624	118,469	83,691	99,619
Rental deposit	117,584	26,803	43,137	43,035
Prepayments and other deposits	305,647	256,160	246,912	231,471
	521,855	401,432	373,740	374,125

Trade receivables represent lease receivables. Rental income under lease agreements are generally required to be settled within 30 days upon issuance of demand notes.

The following is an aged analysis of trade receivables, presented based on the date of revenue recognition:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	US$	*US$*	*US$*	*US$*
Within 30 days	62,259	76,885	64,789	67,506
More than 1 months but within 3 month	25,512	17,938	14,179	25,033
Over 3 months	10,853	23,646	4,723	7,080
	98,624	118,469	83,691	99,619

The receivables of more than 30 days in the above table represents amounts past due at the end of each reporting period.

Movement in the allowance for doubtful debts

	US$
At 1 January 2016	–
Impairment loss recognised	16,330
At 31 December 2016	16,330
Impairment loss recognised	34,762
Written off as uncollectible	(51,092)
At 31 December 2017	–

Details of impairment assessment of trade receivables for the year ended 31 December 2018 and the three months ended 31 March 2019 are set out in note 30.

19. Amount due from an intermediate holding company, amount due to immediate holding company and amount due to a related party

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

Related party, namely BRE Asia Pte Ltd, and the Target Group are entities held by different funds under common management.

20. Derivative financial asset

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	US$	*US$*	*US$*	*US$*
Derivative financial asset (not under hedge accounting):				
Interest rate cap	60,708	12,855	4,356	788

Major terms of the interest rate cap as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019 were as follows:

Notional amount	**Maturity date**	**Cap rate**	**Floating rate**
HK$128,500,000	11 March 2020	3.5% per annum	HIBOR

In 2016, the Target Group has paid a premium of US$190,530 (equivalent to HK$1,477,750) to enter into an interest rate cap with a financial institution, in which the Target Group will receive interest from the financial institution, for the difference between the cap rate and the HIBOR when HIBOR exceeds the cap rate, regarding the variable-rate bank borrowing of HK$128,500,000. The interest rate cap is subsequently measured at its fair value.

21. Inventories

Inventories comprise entirely of packing materials.

22. Fixed time deposit/bank balances and cash

Fixed time deposit as at 31 December 2016, 2017, 2018 and 31 March 2019 amounted to US$5,157, US$5,119, US$5,107 and US$5,096 respectively carried fixed interest rate of 0.15% per annum with an original maturity of one year.

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	US$	*US$*	*US$*	*US$*
Bank balances and cash	3,039,354	2,019,145	598,942	1,981,882

Bank balances and cash comprised mainly short-term deposits carrying interest at prevailing market rates.

23. Other payables

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	US$	*US$*	*US$*	*US$*
Refundable deposits received	305,218	267,987	219,929	215,305
Other payables and accruals	835,644	360,502	340,124	281,197
Deferred revenue	20,556	71,185	–	–
Lease payments received in advance	811,156	598,497	555,868	490,159
	1,972,574	1,298,171	1,115,921	986,661

24. Lease liabilities

	As at 31 March 2019
	US$
Analysed for reporting purposes as:	
Current liabilities	238,238
Non-current liabilities	35,987
	274,225

	Minimum lease payment *US$*	Present value of minimum lease payment *US$*
Lease liabilities are repayable:		
Within one year	244,451	238,238
In the second to fifth year inclusive	37,939	35,987
	282,390	274,225
Less: future finance charges	(8,165)	N/A
Present value of lease liabilities	274,225	274,225
Less: Amount due for settlement with 12 months (shown under current liabilities)		(238,238)
Amount due for settlement after 12 months		35,987

The average lease term is 2 years for leasing the Target Group's leasehold land and buildings. Interest rates underlying all lease liabilities are fixed at respective contracts dates at 4.77% per annum. These leases have no terms of renewal or purchase options and escalation clauses.

25. Bank borrowing

Bank borrowing, denominated in HK$, as at 31 December 2016, 2017, 2018 and 31 March 2019 bear interest at HIBOR plus 2% and is pledged by the Target Group's investment properties as disclosed in note 15. The bank borrowing is repayable in full at maturity date on 11 March 2020. Interest rates will be repriced every three months.

The effective interest rate of the borrowing as at 31 December 2016, 2017, 2018 and 31 March 2019 is 2.85%, 3.27%, 4.35% and 4.35% per annum, respectively.

26. Loan from immediate holding company

On 22 April 2016, the Target Company, pursuant to the interest-free facility agreement signed between the immediate holding company and the Target Company, transferred US$24,093,768 from amount due to immediate holding company to loan from immediate holding company.

The amounts were unsecured and interest-free. The loan from immediate holding company will be repaid after one year. A fair value adjustment of US$4,845,363 was credited as capital contribution on date of recognition of the loan. The loan is carried at amortised cost with effective interest subsequent to initial recognition.

27. Share capital

	US$
Ordinary share of US$1 each	
Authorised:	
At 1 January 2016 and 31 December 2016	1
Increase in authorised share capital *(Note)*	243,374
At 31 December 2017, 31 December 2018 and 31 March 2019	243,375
Issued and fully paid:	
At 1 January 2016 and 31 December 2016	1
Increase in shares *(Note)*	243,374
At 31 December 2017, 31 December 2018 and 31 March 2019	243,375

Note: Pursuant to sole shareholder's application of shares on 27 March 2017, the sole shareholder applied for allotment of 243,374 shares in the Target Company. On the same date, 243,374 shares were allotted to the sole shareholder by capitalisation of amount due to immediate holding company.

28. Operating leases

The Target Group as lessee

At the end of each reporting period, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	US$	*US$*	*US$*
Within one year	265,789	68,160	245,017
In the second to fifth year inclusive	67,450	–	99,281
	333,239	68,160	344,298

Operating lease payments represent rentals payable by the Target Group for its sub-leasing properties. Leases are negotiated for an average of 2 years and rentals are fixed for an average of 2 years.

29. Capital risk management

The Target Group maintains a capital base to cover risks inherent in its business. The primary objectives of the Target Group's capital management are to ensure that the Target Group has sufficient capital, represented by share capital and reserve, to support its operations and to maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividend payment to the shareholders and return capital to the shareholders. The Target Group will consider raising shareholders' loan and bank loan when the need arises. The Target Group was not subjected to any externally imposed capital requirement during the Relevant Periods and as at 31 December 2016, 2017 and 2018 and 31 March 2019.

30. Financial instruments

Category of financial instruments

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	US$	*US$*	*US$*	*US$*
Financial assets				
Derivative financial asset at FVTPL	60,708	12,855	4,356	788
Loans and receivables/amortised cost (including cash and cash equivalents)	3,223,150	2,221,127	795,796	2,183,294
	3,283,858	2,233,982	800,152	2,184,082
Financial liabilities				
Amortised cost	53,651,319	54,290,830	55,702,571	57,780,342

Financial risk management objectives and policies

The Target Group's financial instruments include rental deposit, other non-current asset, trade receivables, other deposits, amount due from an intermediate holding company, derivative financial asset, fixed time deposit, bank balances and cash, other payables, amount due to immediate holding company, amount due to a related party, bank borrowing and loan from immediate holding company. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Target Group's activities expose it primarily to the market risk at changes in interest rates and foreign exchange rates.

Interest rate risk

The Target Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposit. No sensitivity analysis has been presented for bank deposit as the effect is insignificant.

The Target Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowing (see note 25 for details). The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on variable-rate bank borrowing which bears a variable interest at HIBOR plus 2%. As disclosed in note 20, in 2016, the Target Group entered into an interest rate cap to manage interest rate risk, by capping the interest payments regarding certain portion of the variable-rate bank borrowing of HK$128,500,000 to 5.5% per annum.

Other than as disclosed above, the Target Group does not have other interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging other significant interest rate exposure should the need arise.

Interest rate sensitivity analysis

The Target Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period assuming they are outstanding for the whole year/period. For each year/period, a 50 basis points increase or decrease is used for variable-rate bank borrowing when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The Target Group's sensitivity to interest rate risk at the end of each reporting period while all other variables were held constant after taking into account the impact of tax is as follows:

	Year ended 31 December			Three months ended 31 March
	2016	**2017**	**2018**	**2019**
	US$	*US$*	*US$*	*US$*
(Decrease) increase in post-tax profit for the year				
– as a result of increase in interest rate	(165,534)	(164,448)	(165,005)	(165,127)
– as a result of decrease in interest rate	165,534	164,448	165,005	165,127

In management's opinion, the sensitivity is unrepresentative of the inherent interest rate risk as the year/period end exposure does not reflect the exposure during the year/period.

Currency risk

The functional currency of the Target Company and some of its subsidiaries is US$ in which most of the transactions are denominated. The functional currency of its major subsidiary operating in Hong Kong is HK$ in which most of its transactions are denominated.

The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Under the pegged exchange rate system in Hong Kong, HK$ is effectively pegged against US$. Hence the sensitivity of HK$ against US$ is not presented below. In addition, in the opinion of the Directors, other foreign currency risks are not significant to the Historical Financial Information.

Liquidity risk

In the management of liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and seeks continuous financial support from the shareholder so as to enable the Target Group to meet its liabilities as when they fall due. In the opinion of Directors, the Target Group does not have significant liquidity risk.

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

	Weighted average effective interest rate	**Repayable on demand/less than 1 year**	**1 – 5 years**	**Total undiscounted cash flow**	**Carrying amount**
		US$	*US$*	*US$*	*US$*
At 31 December 2016					
Other payables	–	622,030	–	622,030	622,030
Amount due to immediate holding company	–	285,648	–	285,648	285,648
Amount due to a related party	–	78,925	–	78,925	78,925
Loan from immediate holding company	4.59%	–	24,093,768	24,093,768	19,862,081
Bank borrowing	2.85%	999,568	35,297,574	36,297,142	32,802,635
		1,986,171	59,391,342	61,377,513	53,651,319
At 31 December 2017					
Other payables	–	285,356	–	285,356	285,356
Amount due to immediate holding company	–	331,646	–	331,646	331,646
Loan from immediate holding company	4.59%	–	24,093,768	24,093,768	20,772,052
Bank borrowing	3.27%	1,065,022	34,231,260	35,296,282	32,901,776
		1,682,024	58,325,028	60,007,052	54,290,830

	Weighted average effective interest rate	Repayable on demand/less than 1 year	1 – 5 years	Total undiscounted cash flow	Carrying amount
		US$	*US$*	*US$*	*US$*
At 31 December 2018					
Other payables	–	494,076	–	494,076	494,076
Amount due to immediate holding company	–	479,646	–	479,646	479,646
Amount due to a related party	–	4,217	–	4,217	4,217
Loan from immediate holding company	4.59%	–	24,093,768	24,093,768	21,723,716
Bank borrowing	4.35%	1,500,435	33,274,400	34,774,835	33,000,916
		2,478,374	57,368,168	59,846,542	55,702,571
At 31 March 2019					
Other payables	–	263,689	–	263,689	263,689
Amount due to immediate holding company	–	2,518,759	–	2,518,759	2,518,759
Loan from immediate holding company	4.59%	–	24,093,768	24,093,768	21,972,532
Bank borrowing	4.35%	34,702,442	–	34,702,442	33,025,362
		37,484,890	24,093,768	61,578,658	57,780,342
Lease liabilities	4.77%	244,451	37,939	282,390	274,225

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from the estimates of interest rates determined at the end of each reporting period.

Credit risk and impairment assessment

Overview of the Target Group's exposure to credit risk before adoption of HKFRS 9 as at 1 January 2018

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to and concentrated on bank deposits. The credit risk on bank deposits is limited because the counterparties are banks with high credit ratings.

An allowance for doubtful debts for the trade receivables is made when there is an identified loss event which, based on previous experience and management's assessment of the current economic environment and the financial condition of counterparties, is evidence of a reduction in the recoverability of the cash flows.

<u>Overview of the Target Group's exposure to credit risk after adoption of HKFRS 9 as at 1 January 2018</u>

Trade receivables

In order to minimise the credit risk, the management of the Group has monitoring procedures for ensuring that follow up actions are taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Trade receivables represent lease receivables. Tenants of the rental properties is required to settle the demand note within 30 days. Rental is payable in advance.

In addition, the management of the Target Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment loses are made for the recoverable amounts. For the year ended 31 December 2018 and three months ended 31 March 2019, the Target Group performs impairment assessment under ECL model on lease receivables by using a provision matrix.

The Target Group has no significant concentration of credit risk in relation to lease receivables because the exposure is spread over a number of counterparties and customers.

As part of the Target Group's credit risk management, the Target Group uses debtor's aging to assess the impairment for its customers in relation to its business operation because these customers consist of a large number of small customers with similar risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The Target Group's lease receivables with aggregate gross carrying value of US$22,312 and US$21,320 as at 31 December 2018 and 31 March 2019 respectively are credit-impaired grouped as loss. Impairment has been fully provided on these balances.

The Target Group has not recognised lifetime ECL (not credit-impaired) on lease receivables with gross carrying value of US$83,691 and US$99,619 as at 31 December 2018 and 31 March 2019 respectively under the simplified approach as the Directors consider the amount to be insignificant to the Target Group.

The following table shows the movement in lifetime ECL (credit-impaired) that has been recognised for lease receivables under the simplified approach.

	As at 31 December 2018	As at 31 March 2019
	US$	*US$*
Balance at beginning of the year/period	–	22,312
Provision for the year/period	22,312	–
Currency translation difference	–	(992)
Balance at end of the year/period	22,312	21,320

Bank balances and fixed time deposit

The Group mainly transacts with banks and counter parties with high credit ratings. The credit risk for bank balances and fixed time deposit (note 22) with a total gross carrying amount of US$602,508 and US$1,985,449 respectively as at 31 December 2018 and 31 March 2019, are considered as not material as such amount is placed in reputable banks or counterparties with high credit ratings assigned by international credit-rating agencies. The Target Group assessed 12m ECL on these balances by reference to probability of default and loss given default by credit rating grades published by international credit rating agencies and concluded that the ECL are insignificant and thus no impairment loss has been recognised.

Other deposits and other non-current asset

No allowance for impairment for other deposits and other non-current asset with a total gross carrying amount of US$108,056 and US$96,697 respectively as at 31 December 2018 and 31 March 2019 was made since the Directors consider that the ECL is minimal after assessing the counterparties' financial background and creditability.

Fair value measurement of financial instruments

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

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

	Fair value as at					
		31 December		31 March	Fair value	Valuation technique(s)
Financial asset	2016	2017	2018	2019	hierarchy	and key input(s)
	US$	*US$*	*US$*	*US$*		
Derivative financial asset						
Interest rate cap	60,708	12,855	4,356	788	Level 2	Discounted cash flow considering the contractual bank borrowing rates and interest cap rates.

There were no transfers between Level 1, 2 and 3 during current and prior year.

The fair value of other financial assets and financial liabilities which are carried at amortised cost are determined in accordance with discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The Directors consider that the carrying amounts of the other financial assets and liabilities, recorded at amortised cost in the Historical Financial Information, approximate to their fair values.

31. Related party transactions

Apart from those disclosed elsewhere in the Historical Financial Information, the Target Group had entered into business support and administrative services fee expense with BRE Asia Pte Ltd..

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	US$	*US$*	*US$*	*US$*
Business support and administrative service fees	–	–	7,028	2,108

Compensation of key management personnel

The key management personnel includes solely the sole director of the Target Company for the Relevant Periods, who did not receive any remuneration from the Target Group for their services provided to the Target Group as disclosed in note 11, except that a consultancy fee of US$439,840 was paid to the sole director of the Target Company for the year ended 31 December 2016.

32. Particulars of subsidiaries

Particulars of the Company's subsidiaries, which all operate in Hong Kong, at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019 are as follows:

Name of subsidiary	Place and date of incorporation	Class of shares	Issued share capital	Ownership interest and voting power held by the Company		Principal activities	*Note*
				Direct	Indirect		
Storage Holding I Ltd	Cayman Islands 17 October 2014	Ordinary	US$1	100%	–	Property investment	1
Storage Management Ltd	Cayman Islands 27 November 2014	Ordinary	US$1	100%	–	Investment holding	1
Minibox Asia Limited	Hong Kong 25 January 2002	Ordinary	HK$10,000	–	100%	Warehouse operator	2
New Empire Properties Limited	Hong Kong 2 October 2004	Ordinary	HK$1	–	100%	Inactive	2

Notes:

1. No audited statutory financial statements have been prepared for subsidiaries incorporated in the Cayman Island since their respective dates of incorporation as they are incorporated in the jurisdiction where there are no statutory audit requirements.

2. The statutory financial statements for each of the year ended 31 December 2016, 2017 and 2018 were prepared in accordance with HKFRSs issued by the HKICPA and audited by Deloitte Touche Tohmatsu, Hong Kong.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

33. Reconciliation of liabilities arising from financing activities

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

	Interest payable (included in other payables and accruals)	Bank borrowing	Loan from immediate holding company	Amount due to immediate holding company	Lease liabilities	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
At 1 January 2017	46,829	32,802,635	19,862,081	285,648	–	52,997,193
Financing cash flows						
– Advance from immediate holding company	–	–	–	289,372	–	289,372
– Interest paid	(943,977)	–	–	–	–	(943,977)
Capitalisation of issuance of share *(note 27)*	–	–	–	(243,374)	–	(243,374)
Interest on secured bank borrowing	950,105	99,141	–	–	–	1,049,246
Imputed interest expense	–	–	909,971	–	–	909,971
At 31 December 2017 and 1 January 2018	52,957	32,901,776	20,772,052	331,646	–	54,058,431
Financing cash flows						
– Net advance from immediate holding company	–	–	–	148,000	–	148,000
– Interest paid	(1,196,252)	–	–	–	–	(1,196,252)
Interest on secured bank borrowing	1,217,706	99,140	–	–	–	1,316,846
Imputed interest expense	–	–	951,664	–	–	951,664
At 31 December 2018	74,411	33,000,916	21,723,716	479,646	–	55,278,689
Initial application of HKFRS 16	–	–	–	–	332,380	332,380
At 1 January 2019	74,411	33,000,916	21,723,716	479,646	332,380	55,611,069
Financing cash flows						
– Advance from immediate holding company	–	–	–	2,039,113	–	2,039,113
– Interest paid	(349,787)	–	–	–	(3,725)	(353,512)
– Repayment of lease liabilities	–	–	–	–	(57,419)	(57,419)
Interest on secured bank borrowing	356,456	24,446	–	–	–	380,902
Imputed interest expense	–	–	248,816	–	3,725	252,541
Currency translation difference	–	–	–	–	(736)	(736)
At 31 March 2019	81,080	33,025,362	21,972,532	2,518,759	274,225	57,871,958

	Interest payable (included in other payables and accruals)	Bank borrowing	Loan from immediate holding company	Amount due to immediate holding company	Lease liabilities	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
(unaudited)						
At 1 January 2018	52,957	32,901,776	20,772,052	331,646	–	54,058,431
Financing cash flows						
– Repayment to immediate holding company	–	–	–	(3,115)	–	(3,115)
– Interest paid	(274,385)	–	–	–	–	(274,385)
Interest on secured bank borrowing	270,837	24,445	–	–	–	295,282
Imputed interest expense	–	–	234,657	–	–	234,657
At 31 March 2018	49,409	32,926,221	21,006,709	328,531	–	54,310,870

34. Subsequent events

On 30 August 2019, the Target Company disposed of the entire equity interest in Storage Management Ltd, together with its subsidiaries to an independent third party, at as an aggregate consideration of HK$20,000,000 (subject to adjustment of current assets less current liabilities at date of completion of the disposal), in which HK$7,000,000 is the payment for the rental for periods ranging from 6 months to 14 months commencing from the completion date of the disposal and the remaining balance is the consideration for the disposal of the entire equity interest of Storage Management Ltd. The management of the Target Group is in the process of assessing the financial impact.

35. Subsequent financial information

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

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

The following unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), being the Company and its subsidiaries (collectively referred to as the "Group") together with Storage Portfolio Holding II Ltd (the "Target Company") and its subsidiaries (collectively referred as the "Target Group"), is prepared by the directors of the Company (the "Directors") to illustrate the effect of the acquisition of the entire issued and paid-up share capital of and shareholder loan of the Target Company (the "Acquisition"), as if the Acquisition had been completed on 31 March 2019. Details of the Acquisition are set out in the section headed "Letter from the Board" contained in this Circular.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effect of the Acquisition pursuant to the terms of the sale and purchase agreement dated 16 July 2019 (the "SPA") entered into between the Group and the equity owner of the Target Company.

The unaudited pro forma statement of assets and liabilities is prepared based on the information on the audited statement of financial position of the Group as at 31 March 2019, which has been extracted from the published annual report of the Group for the year ended 31 March 2019 and after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and (ii) factually supportable, as if the Acquisition had been completed on 31 March 2019. The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 March 2019 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction of the historical financial information of the Group and the Target Group, as set out in the published annual report of the Group for the year ended 31 March 2019 and the accountants' report of the Target Group as set out in Appendix II to this Circular, respectively and other financial information included elsewhere in the Circular.

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

	The Group as at 31 March 2019	The Target Group as at 31 March 2019		Pro Forma Adjustments				Unaudited pro forma total for the Enlarged Group
	HK$'000	*US$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)					
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current assets								
Investment properties	2,225,570	94,395	736,281	–	–	–	1,838	2,963,689
Property, plant and equipment	393,119	1,095	8,541	–	–	(8,541)	–	393,119
Right-of-use assets	–	273	2,129	–	(2,129)	–	–	–
Interest in an associate	7,110	–	–	–	–	–	–	7,110
Interests in joint ventures	396,984	–	–	–	–	–	–	396,984
Loans to joint ventures	498,289	–	–	–	–	–	–	498,289
Deposit paid and prepayment for acquisition of investment properties	90,465	–	–	–	–	–	–	90,465
Deposits paid for leasehold improvements	–	933	7,277	–	–	(7,277)	–	–
Other non-current assets	–	10	78	–	–	(78)	–	–
Deferred tax assets	2,538	–	–	–	–	–	–	2,538
	3,614,075	96,706	754,306	–	(2,129)	(15,896)	1,838	4,352,194
Current assets								
Properties under development for sale	322,596	–	–	–	–	–	–	322,596
Properties held for sale	7,441	–	–	–	–	–	–	7,441
Inventories	15,357	28	218	–	–	(218)	–	15,357
Contract assets	267,080	–	–	–	–	–	–	267,080
Debtors, deposits and prepayments	114,148	374	2,917	–	–	(1,853)	–	115,212
Amounts due from joint ventures	17	–	–	–	–	–	–	17
Amount due from a related party	24,364	–	–	–	–	–	–	24,364
Loans to joint ventures	24,209	–	–	–	–	–	–	24,209
Financial assets at fair value through profit or loss	519	–	–	–	–	–	–	519
Derivative financial asset	–	1	8	–	–	–	–	8
Taxation recoverable	10,394	–	–	–	–	–	–	10,394
Fixed time deposit	–	5	39	–	–	(39)	–	–
Bank balances and cash	869,514	1,982	15,460	(744,867)	–	(14,242)	(8,038)	117,827
	1,655,639	2,390	18,642	(744,867)	–	(16,352)	(8,038)	905,024
Assets classified as held for sale	–	–	–	–	–	29,633	–	29,633
	1,655,639	2,390	18,642	(744,867)	–	13,281	(8,038)	934,657

	The Group as at 31 March 2019	The Target Group as at 31 March 2019		Pro Forma Adjustments				Unaudited pro forma total for the Enlarged Group
	HK$'000 (audited) (Note 1)	US$'000 (audited) (Note 2)	HK$'000 (audited) (Note 2)	HK$'000 (Note 3)	HK$'000 (Note 4)	HK$'000 (Note 5)	HK$'000 (Note 6)	HK$'000
Current liabilities								
Trade and other payables	772,165	987	7,699	–	–	(6,925)	–	772,939
Contract liabilities	–	34	265	–	–	–	–	265
Lease liabilities	–	238	1,856	–	(1,856)	–	–	–
Amount due to immediate holding company	–	2,519	19,648	(19,648)	–	–	–	–
Provisions	87,637	–	–	–	–	–	–	87,637
Taxation payable	66,813	104	811	–	–	–	–	67,624
Bank loans	351,000	33,025	257,595	(257,595)	–	–	–	351,000
	1,277,615	36,907	287,874	(277,243)	(1,856)	(6,925)	–	1,279,465
Liabilities associated with assets classified as held for sale	–	–	–	–	–	7,207	–	7,207
	1,277,615	36,907	287,874	(277,243)	(1,856)	282	–	1,286,672
Net current assets (liabilities)	378,024	(34,517)	(269,232)	(467,624)	1,856	12,999	(8,038)	(352,015)
Total assets less current liabilities	3,992,099	62,189	485,074	(467,624)	(273)	(2,897)	(6,200)	4,000,179
Non-current liabilities								
Provisions	200,299	–	–	–	–	–	–	200,299
Lease liabilities	–	36	281	–	(281)	–	–	–
Loan from immediate holding company	–	21,973	171,389	(171,389)	–	–	–	–
Deferred tax liabilities	12,356	504	3,931	–	–	(282)	–	16,005
	212,655	22,513	175,601	(171,389)	(281)	(282)	–	216,304
Net assets	3,779,444	39,676	309,473	(296,235)	8	(2,615)	(6,200)	3,783,875

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

1. The financial information of the Group as at 31 March 2019 is extracted from the published annual report of the Group for the year ended 31 March 2019.

2. The financial information of the Target Group as at 31 March 2019 are extracted from the accountants' report on historical financial information of the Target Group for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and for the three months period ended 31 March 2019 as set out in Appendix II to this circular. For the purpose of preparing the unaudited pro forma assets and liabilities of the Enlarged Group, the translation of US$ to HK$ was made at a rate of US$1 to HK$7.80. No representation is made that US$ amounts have been, could have been or could be converted to HK$ or vice versa, at that rate or any other rates or at all.

3. On 16 July 2019, Excellent Sincere Limited, an indirect wholly owned subsidiary of the Company, entered into the SPA with Storage Portfolio Holding Ltd in relation to the acquisition of the entire issued and paid-up share capital and the shareholder loan of the Target Company, at a Base Purchase Price of HK$735,000,000, subject to upward or downward adjustments. Pursuant to the SPA, the consideration should be adjusted upward or downward for the positive or negative Net Asset Value (representing current assets less current liabilities (excluding amount due to immediate holding company, loan from immediate holding company and lease liabilities)) of the Target Group at the completion date, subject to a maximum cap of HK$40,000,000. Therefore, for the purpose of the Unaudited Pro Forma Financial Information, the consideration of approximately HK$744,867,000, comprises of (i) Base Purchase Price of HK$735,000,000 and (ii) positive Net Asset Value of the Target Group as at 31 March 2019 of approximately HK$9,867,000.

   Analysis of Net Asset Value of the Target Group as at 31 March 2019:

	HK$'000
Inventories	218
Debtors, deposits and prepayments	2,917
Derivative financial asset	8
Fixed time deposit	39
Bank balances and cash	15,460
Trade and other payables	(7,699)
Contract liabilities	(265)
Taxation payable	(811)
	9,867

The bank loans of the Target Group should be repaid by the Group out of the consideration payable to the Seller at the request of the Seller upon Closing and the shareholder loan of the Target Group should be novated to the Group upon Closing pursuant to the SPA. Accordingly, for the purpose of the Unaudited Pro Forma Financial Information, the amounts of bank loans and shareholder loan of the Target Group of HK$257,595,000 and HK$191,037,000 as at 31 March 2019, respectively are eliminated.

Under Hong Kong Financial Reporting Standards ("HKFRSs"), the Acquisition of the Target Group will be accounted for as acquisition of assets and liabilities of the Target Group as substantially all of the fair value of the gross assets acquired is concentrated in the investment properties of the Target Group.

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

4. The adjustment represents the elimination of impact on application of HKFRS 16 "Leases" by the Target Group as set out in Appendix II to this Circular, as the Group has not adopted HKFRS 16 as at 31 March 2019.

5. The Acquisition was completed on 30 August 2019 and the management of the Enlarged Group has, on the same date, entered into a sale and purchase agreement to dispose of the entire issued and paid-up share capital of SML and its subsidiaries at a total consideration of HK$20,000,000 (subject to adjustment of current assets less current liabilities of SML and its subsidiaries at date of completion of the disposal), in which HK$7,000,000 is the payment for the rental of the Properties for periods ranging from 6 months to 14 months commencing from the Closing Date and the remaining balance is the consideration for the disposal of the entire issued and paid-up share capital of SML and its subsidiaries. Such disposal was completed after the Acquisition. The directors of the Company consider SML and its subsidiaries meet the held-for-sale criteria as set out in HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" should the Acquisition been completed on 31 March 2019 and therefore the assets and liabilities of SML and its subsidiaries were classified and presented in accordance with the requirements of HKFRS 5. For the purpose of the Unaudited Pro Forma Financial Information, the total consideration of HK$20,000,000 would have been adjusted upwards to HK$29,426,000 by HK$9,426,000 (representing the current assets less current liabilities of SML and its subsidiaries as at 31 March 2019) and the consideration for the disposal would have been HK$22,426,000 (being adjusted total consideration of HK$29,426,000 less advance rental payment of HK$7,000,000). Accordingly, the pro forma adjustments included the reclassification of the assets and liabilities of SML and its subsidiaries as held for sale at fair value less costs to sell of HK$29,633,000 and HK$7,207,000, respectively, which approximate the consideration for the disposal, had the Acquisition been completed as at 31 March 2019.

6. The adjustment represents acquisition-related costs (including professional fees to legal adviser, financial adviser, reporting accountants, properties valuer, agent commission and other expenses) of approximately HK$8,038,000, of which agency commission amounting of HK$1,838,000 is capitalised and included in investment properties.

7. 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. The unaudited pro forma statement of assets and liabilities of the Enlarged Group in the table above does not take into account the effect of Post Closing disposal (as set out in note 5 above). Had the Post Closing disposal been completed as at 31 March 2019, the assets classified as held for sale amounting to HK$29,633,000 and liabilities associated with assets classified as held for sale amounting to HK$7,207,000 as at 31 March 2019 would have been derecognised, an advance rental payment of HK$7,000,000 would have been recognised and included in the trade and other payables of the Enlarged Group, and cash consideration of HK$29,426,000 would have been received and included in the bank balances and cash of the Enlarged Group.

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

Deloitte. 德勤

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

To the Directors of Hanison Construction Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hanison Construction Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 March 2019 and related notes as set out on pages 92 to 97 of the circular issued by the Company dated 25 September 2019 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 92 to 97 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of the entire issued and paid-up share capital and the shareholder loan of Storage Portfolio Holding II Ltd on the Group's financial position as at 31 March 2019 as if the transaction had taken place at 31 March 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2019, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2019 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 September 2019

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

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

Business Review

The Target Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Target Company: (a) is principally engaged in the self-storage business through MAL; and (b) holds the Properties through SHIL.

Revenue

Revenue of the Target Group for the three years ended 31 December 2016, 2017 and 2018 were as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Rental income	27,372	25,579	22,309
Management fee income	1,926	2,161	1,795
	29,298	27,740	24,104

For the three years ended 31 December 2016, 2017 and 2018, revenue of the Target Group decreased from HK$29,298,000 in 2016 to HK$24,104,000 in 2018. The significant decrease in revenue was primarily due to drop in occupancy rate due to fire safety remediation work of the Properties.

Increase in fair value of investment properties

At the end of each reporting period, the Target Group states investment properties at fair value based on the valuation performed by an independent professional valuer. For the years ended 31 December 2016, 2017 and 2018, increase in fair value of investment properties of the Target Group amounted to HK$2,641,000, HK$69,495,000 and HK152,485,000 respectively.

Finance Costs

Finance costs represents interest expenses payable to a bank and immediate holding company for the years ended 31 December 2016, 2017 and 2018, which were HK$12,154,000 HK$15,282,000 and HK$17,694,000 respectively.

Liquidity and Financial Resources

The Target Group generally finances its operations with the initial funding from the group companies of the Target Group, bank loans and cash flows generated internally and its operating activities. As at 31 December 2016 and 2017, the Target Group had net current assets of HK$7,783,000 and HK$6,749,000 respectively and as at 31 December 2018, the Target Group had net current liabilities of HK$5,331,000. The significant decrease in net current assets was primarily due to the decrease in bank balances and cash.

Capital Structure

The bank borrowing was secured, repayable on demand and interest bearing and was HK$255,861,000, HK$256,634,000 and HK$257,407,000 as at 31 December 2016, 2017 and 2018 respectively which bore interest at HIBOR plus 2% per annum for the financial years ended 31 December 2016, 2017 and 2018.

Gearing Ratio

The gearing ratio of the Target Group, which is equal to the total liabilities over total assets as at 31 December 2016, 2017 and 2018, was approximately 85.0%, 76.3% and 61.9% respectively.

Foreign Currency Risks

The business conducted by the Target Group during the three years ended 31 December 2016, 2017 and 2018 were denominated in US$. As US$ is pegged with HK$, therefore, the management did not consider that the Target Group was exposed to any significant foreign currency exchange risks and it had not used any financial instrument for hedging purpose during the aforesaid periods.

Capital Commitment

As at 31 December 2016, 2017 and 2018, the Target Group had no capital commitment.

Charge of Assets

As at 31 December 2016, 2017 and 2018, the investment properties of the Target Group were pledged to secure the bank facilities. The Target Group has utilised the bank facilities to repay the shareholder loan and as general working capital.

Contingent Liabilities

The Target Group did not have any contingent liabilities as at 31 December 2016, 2017 and 2018.

Significant Investments, Acquisitions or Disposals

The Target Group had not acquired or disposed of any subsidiary or affiliated company during the three years ended 31 December 2016, 2017 and 2018 and it did not have any significant investments held or plan for material investments or capital assets during such periods.

Employees and Remuneration Policy

As at 31 December 2016, 2017 and 2018, the total costs of all the employees of the Target Group were approximately HK$7,099,000, HK$3,164,000 and HK$3,218,000, respectively. The employees are employed by Storage Management Ltd and its subsidiaries. As mentioned in Note 34 (Subsequent events) of the Unaudited Pro Forma Financial Information of the Enlarged Group at Appendix II of this circular, the Group has on 30 August 2019 disposed the entire equity interest in Storage Management Ltd, together with its subsidiaries, to an independent third party. Thus, the Group will not employ any of the Target Group's employees after completion of the Acquisition.

The following is the text of a letter and valuation certificates, prepared for inclusion in this circular, received from Jones Lang LaSalle Limited, an independent valuer, in connection with its valuation as at 31 July 2019 of the Properties.

JLL®
仲量聯行

Jones Lang LaSalle Limited
Valuation Advisory Services
7th Floor, One Taikoo Place, 979 King's Road,
Quarry Bay, Hong Kong
tel +852 2846 5000 fax +852 2968 0078
Company Licence No.: C-003464

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ISO 9001 : 2015
Certificate No.: CC 568

25 September 2019

The Directors
Hanison Construction Holdings Limited
22nd Floor, Kings Wing Plaza 1,
3 On Kwan Street,
Shek Mun, New Territories
Hong Kong

Dear Sirs,

Re: Valuation of

(1) **No. 18 Lee Chung Street, Hong Kong ("Property 1"); (Chai Wan Inland Lot No. 91)**

(2) **Portion 1 of Unit A and Portion 2 of Unit A including the Flat Roof appurtenant thereto on 4th Floor and Car Parking Space No. 12 on Ground Floor, Chaiwan Industrial Centre, No. 20 Lee Chung Street, Hong Kong ("Property 2"); and**

(3) **Unit N3 on 1st Floor and Staircases Nos. R4, R5 and R6 on Ground Floor of Block 3, Nos. 448-458 Kwun Tong Road, Unit Q4 on 1st Floor of Block 4 including the Flat Roof appurtenant thereto, Nos. 436-446 Kwun Tong Road and Car Parking Space Nos. 55 & 56 on Ground Floor, Nos. 436-484 Kwun Tong Road, Kwun Tong Industrial Centre, Kowloon, Hong Kong ("Property 3")**

(collectively referred to as "the Properties")

1.1 Instruction

We refer to the instruction received from Hanison Construction Holdings Limited ("the Company") for us to carry out market valuations of the Properties as at 31 July 2019 ("the date of valuation") for public disclosure purpose in relation to the acquisition of the Properties.

We confirm that we have carried out external inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of market values of the unencumbered leasehold property interests as at the date of valuation.

1.2 Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with the "HKIS Valuation Standards 2017 Edition" published by The Hong Kong Institute of Surveyors ("HKIS"), the "International Valuation Standards 2017" published by the International Valuation Standards Council ("IVSC") and the "RICS Valuation – Global Standards 2017" published by the Royal Institution of Chartered Surveyors ("RICS") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards. We have also complied with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have applied the definition of market value to each property interest independently. We have ignored the potential effect of selling the entire portfolio at any one time. Likewise for property interest that is comprised of multiple floors or units, we have valued the property as a single property interest and have ignored the potential effect of selling the property on a strata title basis.

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001:2015 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation.

1.3 Valuation Assumptions

Our valuations have been made on the assumption that the owner sells the Properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the Properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation that may be incurred in effecting sales or lettings. Unless otherwise stated, it is assumed that the properties are free of legal complications and encumbrances, restrictions, outgoings of an onerous nature that could affect their values.

1.4 Valuation Methodologies

For the valuation of Property 1 which possesses redevelopment potential, we have adopted the direct comparison method and cross-checked by the residual method. For the valuation of Property 2 and Property 3, we have adopted the direct comparison method.

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transferred their legal ownership. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration.

The residual method of valuation requires an assessment of the Gross Development Value (GDV) of the proposed development subject to the hypothetical assumption that the definition of market value is applied to the completed development, as at the date of valuation. The costs of development, which include construction costs (outstanding), professional fees, finance costs on construction, marketing costs of the completed development, are then deducted from the Gross Development Value. Allowance would then be made for developer's profit, acquisition costs for land and finance costs on land. The resultant figure is the residual value.

The residual method is subject to a number of hypothetical assumptions/parameters. A slight change in one or more of the assumptions/parameters would have a significant impact on the conclusions reached.

1.5 Measurements

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

1.6 Source of Information

We have relied to a considerable extent on the information provided by the Company including copies of the tenancy agreements of the Properties. We have also obtained relevant information available from public domain including the Land Registry and the Buildings Department and have accepted advice given to us on matters such as statutory notices, planning approvals, easements, floor plans, floor areas, tenure, particulars of occupancy and all other relevant matters. We have assumed that all information provided to us is correct. However, should it be established subsequently that the details relating to the property interests are incorrect, we reserve the right to adjust the values reported herein.

The dimensions, measurements and areas included in the report are based on information contained in copies of documents obtained from the Company and the Land Registry and are therefore approximations. We have not carried out on site measurements to verify the correctness of the areas of the Properties.

Our valuations are totally dependent on the adequacy and accuracy of the information supplied and/or subsequent assumptions made. Should these prove to be incorrect or inadequate, the accuracy of our valuations may be affected.

1.7 Title Investigation

We have not been provided with copies of the title documents relating to the Properties but we have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may or may not appear on the land search records. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. We have not seen original planning and development consents and have assumed that the Properties have been erected, being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

1.8 Property Inspections

We have inspected the exteriors and the surrounding environment of the Properties on 20 July 2019 and 25 July 2019. The inspections were conducted by Ms. Dorothy Chow, MHKIS, MRICS & RPS, Senior Director, and Ms. Savannah Li, MHKIS, Manager of Valuation Advisory Services of Jones Lang LaSalle Limited. We have not conducted formal site and structural surveys and, as such we cannot report that the properties are free from rot, infestation or any other structural defects. We have not carried out building surveys, nor have we inspected those parts of the properties which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We do not express an opinion about or advise upon the condition of the parts we had not inspected and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services within the Properties.

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

1.9 Site Investigation

We have not been instructed to carry out any investigations on site in order to determine the suitability of ground conditions and services, etc. for future development or renovation, nor did we undertake archaeological, ecological or environmental surveys. Our valuations are on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction or renovation period.

In the course of our valuation, we have assumed that no contamination affecting the Properties nor neighboring lands. However, should it be established subsequently that contamination exists at the Properties or on any neighboring lands, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

1.10 Plant and Machinery

Our valuations normally include all plant and machinery that form part of the building services installations. However, plant, machinery and equipment, which may have been installed wholly in connection with the occupier's industrial and commercial uses, together with furniture and furnishings, tenant's fixtures and fittings, are excluded in our valuations.

1.11 Valuer

This valuation report was prepared by Mr. Eric Tsang MRICS, MHKIS & RPS(GP), Senior Director assisted by Ms. Savannah Li, MHKIS, Manager and Ms. Selina Wu, Manager under the supervision of Ms. Dorothy Chow MHKIS, MRICS & RPS(GP), Senior Director of the department.

We confirm that Ms. Dorothy Chow, Mr. Eric Tsang, Ms. Savannah Li and Ms. Selina Wu are in the position to provide an objective and unbiased valuation and are competent to undertake the valuation assignment.

1.12 Report

Our Summary of Valuations and the Valuation Certificates are attached hereto.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Limited

Dorothy Chow B.Sc. (Hons), MSc, MHKIS, MRICS, RPS(GP)
Senior Director
Licence No.: E-182969

Note: Ms. Dorothy Chow, MHKIS MRICS RPS(GP), is a qualified general practice surveyor and has over 20 years of experience in the valuation of properties in Hong Kong.

2.0 SUMMARY OF VALUATIONS

No.	Property	Market Value as at 31 July 2019 *(HK$)*
1.	No. 18 Lee Chung Street, Hong Kong (Chai Wan Inland Lot No. 91)	$560,000,000
2.	Portion 1 of Unit A and Portion 2 of Unit A including the Flat Roof appurtenant thereto on 4th Floor and Car Parking Space No. 12 on Ground Floor, Chaiwan Industrial Centre, No. 20 Lee Chung Street, Hong Kong	$51,100,000
3.	Unit N3 on 1st Floor and Staircases Nos. R4, R5 and R6 on Ground Floor of Block 3, Nos. 448-458 Kwun Tong Road, Unit Q4 on 1st Floor of Block 4 including the Flat Roof appurtenant thereto, Nos. 436-446 Kwun Tong Road and Car Parking Space Nos. 55 & 56 on Ground Floor, Nos. 436-484 Kwun Tong Road, Kwun Tong Industrial Centre, Kowloon, Hong Kong	$131,800,000
	Total	**$742,900,000**

3.0 VALUATION CERTIFICATES

	Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 July 2019
1.	No.18 Lee Chung Street, Hong Kong Chai Wan Inland Lot No. 91 (“CWIL91”/“the Lot”)	Property 1 at No. 18 Lee Chung Street, or otherwise known as Minibox Tower (formerly known as Minico Building), is situated at the eastern end of Lee Chung Street within the industrial zone in the Chai Wan district where mainly industrial and I/O buildings of different ages and heights are found. It comprises a 14-storey industrial building completed in 1980. It has 1 container space, 3 car parking spaces and 3 lorry car parking spaces provided on the Ground Floor. Vertical circulation is facilitated by 2 cargo lifts and 2 staircases. As quoted from the building plan approved on 1 November 1979, the total gross floor area of Property 1 is approximately 68,297ft^2 (6,344.96m^2). The registered site area of CWIL 91 is approximately 6,686ft^2 (621.1m^2). CWIL91 is held under Conditions of Sale No. UB10954 for a term of 75 years from 24 September 1976 renewable for a further term of 75 years.	As per the copies of the tenancy agreement and supplemental agreement provided by the Company, Property 1 has been leased to Minico Asia Limited for a term of 3 years from 1 January 2014 to 31 December 2016 and further extended to expire on 31 December 2020. The monthly rental during the whole term is HK$390,000, inclusive of management fee (if any), rates, government rent and air-conditioning fee (if any).	HK$560,000,000 (HONG KONG DOLLARS FIVE HUNDRED AND SIXTY MILLION)

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 July 2019
	The current annual government rent payable for the Lot is HK$1,000.	–	–

Notes:

(1) The registered owner of Property 1 is Storage Holding I Limited.

(2) The following encumbrances are registered against Property 1 as per our recent searches at the Land Registry:

- Letter of Compliance vide Memorial No. UB3372751 dated 5 March 1987 (Remarks: from the Land Office, Registrar General Department of Messrs. Deacons).

- Copy of Letter of Compliance vide Memorial No. UB3372752 dated 2 March 1981 (Remarks: from Public Works Modification Division, Crown Lands & Survey Office to Cheung Hing Tai Co. Ltd.).

- Debenture in favour of Credit Agricole Corporate and Investment Bank as Agent and Trustee for the finance parties for all monies vide Memorial No. 15033101670014 dated 9 March 2015.

- Mortgage in favour of Credit Agricole Corporate and Investment Bank for all monies vide Memorial No. 15033101670022 dated 11 March 2015.

- Memorandum of Change of Building Name vide Memorial No. 15120702120029 dated 1 December 2015.

- Order No. "C/CB/004378/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410107 dated 23 March 2017. (Remarks: re 1/F)

- Order No. "D00914/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410115 dated 23 March 2017. (Remarks: re 1/F)

- Order No. "C/CB/004377/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410129 dated 23 March 2017. (Remarks: re 2/F)

- Order No. "D00913/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410133 dated 23 March 2017. (Remarks: re 2/F)

- Order No. "C/CB/004374/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410149 dated 23 March 2017. (Remarks: re 3/F)

- Order No. "D00910/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410157 dated 23 March 2017. (Remarks: re 3/F)

- Order No. "C/CB/004376/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410165 dated 23 March 2017. (Remarks: re 4/F)

- Order No. "D00912/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410174 dated 23 March 2017. (Remarks: re 4/F)

- Order No. "C/CB/004381/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410200 dated 23 March 2017. (Remarks: re 6/F)

- Order No. "D00918/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410211 dated 23 March 2017. (Remarks: re 6/F)

- Order No. "C/CB/004382/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410228 dated 23 March 2017. (Remarks: re 7/F)

- Order No. "D00919/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410233 dated 23 March 2017. (Remarks: re 7/F)

- Order No. "C/CB/004383/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410242 dated 23 March 2017. (Remarks: re 8/F)

- Order No. "D00920/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410254 dated 23 March 2017. (Remarks: re 8/F)

- Order No. "C/CB/004385/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410268 dated 23 March 2017. (Remarks: re 9/F)

- Order No. "D00922/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410273 dated 23 March 2017. (Remarks: re 9/F)

- Order No. "C/CB/004386/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17101901410287 dated 23 March 2017. (Remarks: re 10/F)

- Order No. "D00923/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17101901410290 dated 23 March 2017. (Remarks: re 10/F)

- Order No. "C/CB/004656/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17102401880054 dated 2 June 2017. (Remarks: re: G/F)

- Order No. "D01162/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17102401880062 dated 2 June 2017. (Remarks: re: G/F)

- Order No. "C/CB/004387/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17102401880070 dated 23 March 2017. (Remarks: re: 11/F)

- Order No. "D00924/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17102401880080 dated 23 March 2017. (Remarks: re: 11/F)

- Order No. "C/CB/004388/16/HK" by the Building Authority under S.24 (1) of the Buildings Ordinance vide Memorial No. 17102401880092 dated 23 March 2017. (Remarks: re: 12/F)

- Order No. "D00925/HK/16/CB" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17102401880108 dated 23 March 2017. (Remarks: re: 12/F)

In the course of valuation, we have based on the layouts as shown on the latest approved building plans and have not allowed any potential reinstatement costs for the compliance of the above orders.

(3) Property 1 is currently zoned for "Other Specified Uses (Business)" uses under the approved Chai Wan Outline Zoning Plan S/H20/23 gazetted on 15 September 2017 ("OZP").

Under the OZP, no new development, or addition, alteration and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment in excess of a maximum plot ratio of 12, and the maximum building height of 120 metres above Principal Datum, or the plot ratio and height of the existing building, whichever is the greater. The provision for development/redevelopment to the height of the existing building is not applicable to an area between Chai Wan Industrial Centre and Minico Building which is subject to a maximum building height of 23mPD, as stipulated on the Plan.

(4) As stipulated in the Conditions of Sale No. UB10954 of CWIL91, the use and development of the Lot is governed by the following salient conditions:

- Shall be used only for industrial and/or godown purposes, excluding offensive trades.
- No building other than a factory or factories or a warehouse or warehouses or both, ancillary offices and such quarters as may be required for watchmen or caretakers who are essential to the safety and security of the buildings.
- Space shall be provide within the Lot for the parking, loading and unloading of vehicles (including containers on trailers with their prime movers).
- No part of any structure erected or to be erected on the lot shall exceed a height of 91.44 metres above the mean formation level of the Lot.
- Vehicular access to or from the Lot shall be restricted from or to Lee Chung Street only.

(5) We are given to understand that the current registered owner ("the Landlord") and the exiting tenant of Property 1 are related parties. In addition, the Landlord shall have the right to terminate the existing tenancy by giving to the Tenant not less than one month's prior notice in writing or the equivalent of one month's rent in lieu of notice. In this regard, we have valued Property 1 as at the date of valuation on vacant possession basis.

	Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 July 2019
2.	Portion 1 of Unit A and Portion 2 of Unit A including the Flat Roof appurtenant thereto on 4th Floor and Car Parking Space No. 12 on Ground Floor, Chaiwan Industrial Centre, No. 20 Lee Chung Street, Hong Kong An aggregate of 3/141 equal and undivided shares of and in Chai Wan Inland Lot Nos. 47 and 54 ("CWIL 47 & 54"/"the Lots")	Chaiwan Industrial Centre is situated at the eastern end of Lee Chung Street within the industrial zone in the Chai Wan district where mainly industrial and I/O buildings of different ages and heights are found. Property 2 comprises 2 units on the 4th Floor and a car parking space on the Ground floor of Chaiwan Industrial Centre, a 24-storey industrial building completed in 1976. Vertical circulation within the building is facilitated by 5 cargo lifts, 2 passenger lifts and 4 staircases. The floor loading capacity of the 4th Floor is 200 lbs/ft^2. As measured from the registered floor plan vide memorial no. UB1397323, the total saleable area of Property 2 is approximately 7,829ft^2 (727.33m^2) and area of the subject flat roof on 4th Floor is approximately 10,276ft^2 (954.66m^2).	As per the copies of the tenancy agreement and supplemental agreement provided by the Company, Property 2 has been leased to Minico Asia Limited for a term of 3 years from 1 January 2014 to 31 December 2016 and further extended to expire on 31 December 2020. The monthly rental during the whole term is HK$60,000, inclusive of management fee (if any), rates, government rent and air-conditioning fee (if any).	HK$51,100,000 (HONG KONG DOLLARS FIFTY ONE MILLION AND ONE HUNDRED THOUSAND)

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 July 2019
	CWIL 47 is held under Conditions of Sale No. 10498 and CWIL 54 is held under Conditions of Sales No. 10499 for a common term of 75 years commencing from 17 August 1973 renewable for a further term of 75 years. The current government rent payable for the Lots is HK$602 per annum.	–	–

Notes:

(1) The registered owner of the Property 2 is Storage Holding I Limited.

(2) The following encumbrances are registered against Property 2 as per our recent searches at the Land Registry:

- Deed of Mutual Covenant vide Memorial No. UB1367345 registered on 18 April 1977.
- Debenture in favour of Credit Agricole Corporate and Investment Bank as Agent and Trustee for the finance parties for all monies vide Memorial No. 15033101670014 dated on 9 March 2015.
- Mortgage in favour of Credit Agricole Corporate and Investment Bank for all monies vide Memorial No. 15033101670022 dated 11 March 2015.

(3) Property 2 is currently zoned for "Other Specified Uses (Business)" uses under the approved Chai Wan Outline Zoning Plan S/H20/23 gazetted on 15 September 2017 ("OZP").

Under the OZP, no new development, or addition, alteration and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment in excess of a maximum plot ratio of 12, and the maximum building height of 120 metres above Principal Datum, or the plot ratio and height of the existing building, whichever is the greater. The provision for development/redevelopment to the height of the existing building is not applicable to an area between Chai Wan Industrial Centre and Minico Building which is subject to a maximum building height of 23mPD, as stipulated on the Plan.

(4) We are given to understand that the current registered owner ("the Landlord") and the exiting tenant of Property 2 are related parties. In addition, the Landlord shall have the right to terminate the existing tenancy by giving to the Tenant not less than one month's prior notice in writing or the equivalent of one month's rent in lieu of notice. In this regard, we have valued Property 2 as at the date of valuation on vacant possession basis.

	Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 July 2019
3.	Unit N3 on 1st Floor and Staircases Nos. R4, R5 and R6 on Ground Floor of Block 3, Nos. 448-458 Kwun Tong Road, Unit Q4 on 1st Floor of Block 4 including the Flat Roof appurtenant thereto, Nos. 436-446 Kwun Tong Road and Car Parking Space Nos. 55 & 56 on Ground Floor, Nos. 436-484 Kwun Tong Road, Kwun Tong Industrial Centre, Kowloon, Hong Kong An aggregate of 287/20,623 equal and undivided shares of and in Kun Tong Inland Lot No. 94 ("KTIL 94"/"the Lot")	Kwun Tong Industrial Centre ("the Development") is situated at the south eastern side of Kwun Tong Road near its junction with Hoi Yuen Road within a traditional industrial area in the Kwun Tong district. The Development comprises of four 14-storey industrial blocks. Block 3 of the Development was completed in 1979 whereas Block 4 was completed in 1980. Property 3 comprises 1 unit on the 1st Floor of Block 3, 1 unit on the 1st Floor of Block 4 and 2 car parking spaces on the Ground floor of the Development. Each of Block 3 and Block 4 is served by 7 cargo lifts, 1 fireman's lift and 6 staircases. The floor loading capacity of the 1st Floor is 200 lbs/ft^2. As measured from the registered floor plans vide memorial nos. UB1831904 and UB1884045, the total saleable area of Property 3 is approximately 22,278ft^2 (2,069.68m^2) and the total area of the subject flat roofs on the 1st Floor is approximately 115ft^2 (10.68m^2).	As per the copies of the tenancy agreement and supplemental agreement provided by the Company, Property 3 has been leased to Minico Asia Limited for a term of 3 years from 1 January 2014 to 31 December 2016 and further extended to expire on 31 December 2020. The monthly rental during the whole term is HK$144,000, inclusive of management fee (if any), rates, government rent and air-conditioning fee (if any).	HK$131,800,000 (HONG KONG DOLLARS ONE HUNDRED THIRTY ONE MILLION AND EIGHT HUNDRED THOUSAND)

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 31 July 2019
	KTIL 94 is held from a Government Lease for a term of 21 years commencing from 1 July 1955 and renewed for a further term of 21 years. The term has been statutorily renewed to expire on 30 June 2047. The current government rent payable for the Lot per annum is equivalent to an amount of 3% of its prevailing rateable value.	–	–

Notes:

(1) The registered owner of the Property 3 is Storage Holding I Limited.

(2) The following encumbrances are registered against Property as per our recent searches at the Land Registry:

- Deed of Mutual Covenant vide Memorial No. UB1690730 registered on 24 April 1979.
- Debenture in favour of Credit Agricole Corporate and Investment Bank as Agent and Trustee for the finance parties for all monies vide Memorial No. 15033101670014 dated on 9 March 2015.
- Mortgage in favour of Credit Agricole Corporate and Investment Bank for all monies vide Memorial No. 15033101670022 dated 11 March 2015.
- Order No. "C/HH/004464/16/K" by the Building Authority under S.24 (1) of the Buildings Ordinance with plans vide Memorial No. 17111400680013 dated 31 March 2017. (Remarks: with a letter dated 25 October 2017) (Re: Unit N3 on 1/F of Block 3 and Unit Q4 on 1/F of Block 4)
- Order No. "D00986/K/16/HH" by the Building Authority under S.26 of the Buildings Ordinance vide Memorial No. 17111400680026 dated 31 March 2017. (Remarks: with a letter dated 25 October 2017) (Re: Unit N3 on 1/F of Block 3 and Unit Q4 on 1/F of Block 4)

In the course of valuation, we have based on the layouts as shown on the latest approved building plans and have not allowed any potential reinstatement costs for the compliance of the above orders.

(3) Property 3 is currently zoned for "Other Specified Uses (Business)" uses under the approved Kwun Tong (South) Outline Zoning Plan S/K14S/22 gazetted on 9 November 2018 ("OZP").

Under the OZP, no new development, or addition, alteration and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment in excess of a maximum plot ratio of 12.0, and the maximum building height of 130 metres above Principal Datum, or the plot ratio and height of the existing building, whichever is the greater.

(4) We are given to understand that the current registered owner ("the Landlord") and the exiting tenant of Property 3 are related parties. In addition, the Landlord shall have the right to terminate the existing tenancy by giving to the Tenant not less than one month's prior notice in writing or the equivalent of one month's rent in lieu of notice. In this regard, we have valued Property 3 as at the date of valuation on vacant possession basis.

GENERAL PRINCIPLES ADOPTED IN THE PREPARATION AND CONDITIONS THAT APPLY TO AND FORM PART OF HONG KONG VALUATIONS AND REPORTS

This document sets out the terms of engagement for our valuation services. They apply unless we have specifically mentioned otherwise in the service agreement or in the body of the Reports. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, where appropriate. Any variations to these terms of engagement must be confirmed in writing.

Our Valuations and Reports are confidential to, and for the use only of, the party to whom they are addressed and for the stated specific purpose. No responsibility whatsoever is accepted to any third parties who may use or rely on the whole or any part of the contents of any such Valuation or Report. The whole or any part of the Valuation or Report, or reference thereto, must not be published or referred to in any document, statement, circular, or in any communication with third parties, without our prior written approval of the form and context in which it will appear.

1. VALUATION METHODOLOGY:

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

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

2. VALUATION BASIS:

Our valuations are made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuations are made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture or similar arrangement which would serve to affect the value of the property.

Each valuation is current as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of preceding half of this paragraph, we do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the date of valuation.

3. COSTS:

No allowances are made in our valuations for dealing with any encumbrances such as charges, mortgages, nor for amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale or disposal.

4. SOURCE OF INFORMATION:

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarized in our report.

5. ASSUMPTIONS

Unless we state otherwise in the valuation, our valuation assumes (without investigation on our part), where applicable,

(a) good and marketable title, and no encumbrance on the property's title which could materially affect its value,

(b) no encroachment by or on the property, and no unauthorized additions or structural alterations (our valuation is made according to the original layout as shown in the Registered Floor Plans or developer's brochure and assumes no outstanding reinstatement costs to be charged on the property),

(c) no major environmental factor (including contamination) affects the property,

(d) no deficiencies in the structural integrity of the property and other improvements,

(e) the property is not affected or required for any public purposes or is to be acquired for a public purpose,

(f) there are no outstanding statutory orders on the property or the likely possibility of future orders being made by a regulatory authority,

(g) body corporate records and finances are in a satisfactory order and there are no major financial commitments, orders or levies in respect of any major rectifications, remedial or other works to be undertaken by the body corporate above normal maintenance,

(h) no material litigation pending relating to the property,

(i) that the property (and any works thereto) comply with all relevant statutory regulations, including enactments relating to fire regulations,

(j) no deleterious materials (including by way of example asbestos and calcium chloride)

(k) ground conditions and services are suitable (including, particularly with respect to agricultural land, no possibility of latent infestation in the soil or of disease which might affect crops or stock at any time in the future) and no extraordinary expenses or delays will be incurred due to archaeological, ecological or environmental matters.

Without affecting the generality of the above, where leases or documents of title or site and building surveys or building report or pest certificate or engineer's certificate or body corporate records are provided to us for the purpose of the valuation, reliance must not be placed on our interpretation thereof of any of these documents.

6. TENANTS:

Enquiries as to the financial standing of actual or prospective tenants are not made unless we specifically agree to in writing. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise in writing, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

7. MEASUREMENTS:

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local legislation and/or client's request or agreement, we declare our departure from the "RICS property measurement" published by RICS in May 2015. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the Registered Floor Plans if available.

8. JURISDICTION:

Unless the parties otherwise agree in writing, all disputes arising out and relating to our valuation shall be finally settled under Hong Kong Law and the parties irrevocably submit to the jurisdiction of the Hong Kong Courts.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' Interests

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

(i) Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares held	Total number of ordinary shares held	Approximate percentage of issued share capital *(Note 6)*
Cha Mou Sing, Payson	Beneficial owner	26,537,925		
	Interest of controlled corporations	20,321,502 *(Note 1)*		
	Beneficiary of discretionary trusts	531,981,820 *(Note 2)*	578,841,247	53.05%
Wong Sue Toa, Stewart	Beneficial owner	37,795,157		
	Interest of controlled corporation	4,270,975 *(Note 3)*		
	Interest of spouse	5,485,487 *(Note 4)*	47,551,619	4.35%

Name	Capacity	Number of ordinary shares held	Total number of ordinary shares held	Approximate percentage of issued share capital *(Note 6)*
Tai Sai Ho	Beneficial owner	17,385,721	17,385,721	1.59%
Lo Kai Cheong	Beneficial owner	7,674,137		
	Interest of spouse	2,548,422 *(Note 5)*	10,222,559	0.93%
Cha Mou Daid, Johnson	Beneficial owner	8,963,500		
	Beneficiary of discretionary trusts	539,500,961 *(Note 2)*	548,464,461	50.27%
Zhang Wei	Beneficial owner	4,288,000	4,288,000	0.39%
Chan Pak Joe	Beneficial owner	2,830,100	2,830,100	0.25%
Lau Tze Yiu, Peter	Beneficial owner	3,759,950	3,759,950	0.34%
Sun Tai Lun	Beneficial owner	3,078,000	3,078,000	0.28%

Notes:

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

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

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

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

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

(6) The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date (i.e. 1,090,924,676 shares).

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

Name	Date of grant	Exercise price per share	Exercise period	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of issued share capital *(Note)*
Cha Mou Daid, Johnson	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	5,192,000	0.47%

Note:

The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date (i.e. 1,090,924,676 shares).

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

(b) Substantial Shareholders' Interests

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

Long position in the shares of the Company

Name of Shareholder	**Capacity**	**Number of ordinary shares held**	**Approximate percentage of issued share capital** *(Note 4)*
CCM Trust (Cayman) Limited ("**CCM Trust**") *(Note 1)*	Trustee Interest of controlled corporations	487,702,041	44.70%
Mingly Corporation ("**Mingly**") *(Note 2)*	Beneficial owner Interest of controlled corporations	104,243,301	9.55%
CCM Capital Corporation ("**CCM Capital**") *(Note 2)*	Beneficial owner	78,866,272	7.22%
LBJ Regents Limited ("**LBJ**") *(Note 3)*	Trustee Interest of controlled corporation	67,829,571	6.21%

Notes:

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

(2) These share interests comprise 3,732,928 shares directly held by Mingly and 78,866,272 shares and 21,644,101 shares held indirectly through CCM Capital and Mingly Asia Capital Limited, respectively. CCM Capital and Mingly Asia Capital Limited are direct wholly owned subsidiaries of Mingly.

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

(4) The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date (i.e. 1,090,924,676 shares).

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

3. DIRECTORS' SERVICE CONTRACTS

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

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

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

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Name of Director *(Note 1)*	Name of company	Nature of interest	Competing business *(Note 2)*
Cha Mou Daid, Johnson	HKRI	Director of HKRI and a member of the class of discretionary beneficiaries of certain but not identical discretionary trusts of which the trustees are deemed substantial shareholders of HKRI under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services
Chan Pak Joe	The Luk Hoi Tong Company, Limited ("**LHTCL**")	Executive director of LHTCL	(a) Property development and investment (b) Property management, leasing and marketing services

Notes:

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

In addition, Mr. Cha Mou Sing, Payson held share interests, Mr. Wong Sue Toa, Stewart held share interests and directorships and Mr. Lo Kai Cheong held directorships in certain private companies (the "**Private Companies**") which engage in property investment and serviced apartment or hotel operation. As the Board of the Company is independent of the boards of the Private Companies and has a different board composition to the respective boards of the Private Companies (the Board of the Company comprises of three executive Directors, three non-executive Directors and three independent non-executive Directors), the Company operates its businesses independently of, and at arm's length from the businesses of the Private Companies.

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

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

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. EXPERTS AND CONSENTS

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

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
Jones Lang LaSalle Limited	An independent professional property valuer

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

(a) any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) any interest, direct or indirect, in any assets which have been, since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

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

8. MATERIAL CONTRACTS

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

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

(b) the memorandum of understanding dated 15 January 2018 entered into among Shining Bliss Limited (an indirect wholly owned subsidiary of the Company) ("**Shining Bliss**") as purchaser, the Vendor (as defined in the announcement) as vendor ("**Richway Vendor**") and the Guarantor (as defined in the announcement) as guarantor, regarding the acquisition of the entire issued and paid-up share capital of Richway Group Holdings Limited and the related shareholder's loan ("**Richway Acquisition**") at an aggregate consideration of HK$506,380,000. Further details of the memorandum of understanding are set out in the announcement of the Company dated 15 January 2018;

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

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

(e) the sale and purchase agreement dated 2 March 2018 entered into among Shining Bliss as purchaser, the Richway Vendor as vendor and the Guarantor as guarantor, regarding the Richway Acquisition referred to in paragraph (b) above. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 2 March 2018;

(f) the provisional sale and purchase agreement dated 25 April 2018 entered into between Emwell Limited (an indirect wholly owned subsidiary of the Company) ("**Emwell**") as vendor and Beautymate Hong Kong Limited as purchaser, regarding the disposal of the property comprising (1) Workshops 1 – 19 (inclusive) on the Fifth Floor (including the Flat Roofs of Workshops 3 and 4) of Block A of Shatin Industrial Centre, Nos. 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong ("**Shatin Industrial Centre**"); and (2) Car Parking Space L45 on the Second Floor of Shatin Industrial Centre for an aggregate consideration of HK$158,380,000. Further details of the provisional sale and purchase agreement are set out in the announcement of the Company dated 25 April 2018;

(g) the provisional sale and purchase agreement dated 30 May 2018 entered into between Emwell as vendor and Crown Master Enterprises Limited as purchaser, regarding the disposal of the property comprising (1) Workshops 1-23 on the Fourth Floor (including the Flat Roofs of Workshops 5 and 6) of Block B of Shatin Industrial Centre; and (2) Car Parking Space V26 on the First Floor of Shatin Industrial Centre for an aggregate consideration of HK$209,840,000. Further details of the provisional sale and purchase agreement are set out in the announcement of the Company dated 30 May 2018;

(h) the sale and purchase agreement dated 24 August 2018 entered into among SPK MW Limited as purchaser, Flair Forward Limited as vendor and Hanison BVI as guarantor, regarding the disposal of the entire issued share capital of Pleasing Ideal Limited ("**Pleasing Ideal Disposal**") and the related shareholder's loan at an aggregate consideration of HK$1,253,000,000. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 24 August 2018;

(i) the application dated 2 October 2018 in respect of the subscription of 50% issued share capital of Great Splendor Enterprises Limited (an indirect wholly owned subsidiary of the Company) ("**Great Splendor**") as enlarged by the allotment and issue of the subscription shares at a consideration of USD2 (equivalent to approximately HK$15.60) by Acquisition N (BVI) L.P. as subscriber ("**Acquisition N (BVI)**"). Further details of the subscription are set out in the announcement of the Company dated 2 October 2018 and the relevant clarification announcement dated 3 October 2018;

(j) the shareholders deed dated 2 October 2018 entered into among Acquisition N (BVI), Fairview Harbour Limited (an indirect wholly owned subsidiary of the Company) ("**Fairview**") and Great Splendor, to govern their relationship as shareholders of Great Splendor and regarding the renovation, change of use, management and marketing and sale and leasing of a property. Further details of the shareholders deed are set out in the announcement of the Company dated 2 October 2018 and the relevant clarification announcement dated 3 October 2018;

(k) the shareholder loan agreement dated 2 October 2018 entered into among Acquisition N (BVI), Fairview and Great Splendor, in which Acquisition N (BVI) and Fairview have advanced and shall continue to advance shareholder loans to Great Splendor. Further details of the shareholder loan agreement are set out in the announcement of the Company dated 2 October 2018 and the relevant clarification announcement dated 3 October 2018;

(l) the provisional sale and purchase agreement dated 12 March 2019 entered into between Great Virtue Ventures Limited (an indirect wholly owned subsidiary of the Company) ("**Great Virtue**") as purchaser and the Vendors (as defined in the announcement) in relation to the acquisition of the property comprising all that piece or parcel of ground registered in the Land Registry known as Kwun Tong Inland Lot No. 567 and of and in the messuages erections and building thereon, Kowloon, Hong Kong and all that piece or parcel of ground registered in the Land Registry known as Kwun Tong Inland Lot No. 568 and of and in the messuages erections and building thereon (the "**Kwun Tong Acquisition**") at an aggregate purchase price of HK$489,000,000. Further details of the provisional sale and purchase agreement are set out in the announcement of the Company dated 12 March 2019;

(m) the sale and purchase agreement dated 15 April 2019 entered into between Great Virtue as purchaser, and the Vendors (as defined in the announcement) in relation to the Kwun Tong Acquisition as referred to in paragraph (l) above. Further details of the provisional sale and purchase agreement are set out in the announcement of the Company dated 15 April 2019;

(n) the sale and purchase agreement dated 15 July 2019 entered into among Elevest Limited as purchaser, Shangzhi Limited as vendor and Hanison BVI as guarantor, regarding the disposal of the entire issued share capital of General Mark Holdings Limited and the related shareholder's loan at an aggregate consideration of HK$420,000,000 (the "**General Mark Disposal**"). Further details of the sale and purchase agreement are set out in the announcement of the Company dated 15 July 2019;

(o) the SPA; and

(p) the sale and purchase agreement dated 16 August 2019 entered into among Victorious Troops Limited as vendor, Goodway Asia Limited as purchaser, Mr. Tang Shing Bor as purchaser's covenantor, Hanison BVI and China Life Frontier Private Investment Fund L.P. as vendor's guarantors, regarding the disposal of the entire issued share capital of Popular Castle Limited and the related shareholder's loan at an aggregate consideration of HK$1,080,000,000 (subject to adjustment). Further details of the sale and purchase agreement are set out in the announcement of the Company dated 16 August 2019.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekdays (except for Saturday and public holidays) at the Company's principal place of business in Hong Kong for a period of 14 days from the date of this circular:

(a) the SPA;

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

(c) the financial information of the Target Group from Deloitte Touche Tohmatsu as set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group from Deloitte Touche Tohmatsu as set out in Appendix III to this circular;

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

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

(g) the annual reports of the Company for the three financial years ended 31 March 2017, 2018 and 2019;

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

(i) the circular issued by the Company dated 17 May 2019 in relation to the Kwun Tong Acquisition;

(j) the circular issued by the Company dated 23 August 2019 in relation to the General Mark Disposal; and

(k) this circular.

10. MISCELLANEOUS

(a) the registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands;

(b) the head office and principal place of business of the Company is located at 22/F., Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, Shatin, New Territories, Hong Kong;

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

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

(e) in the event of any inconsistency, the English text of this circular shall prevail over the respective Chinese text.