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 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 5 to 12 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 November 2019

CONTENTS

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

"Acquisition"	the acquisition of the Sale Share and the Shareholder Loan (if any) by the Buyer pursuant to the SPA
"Actual Adjusted NCAV Amount"	in respect of the Target Company, the actual Adjusted NCAV Amount as set out in the Completion Accounts
"Adjusted NCAV Amount"	in respect of the Target Company, the aggregate amount (which may be a positive or a negative amount) as at Completion of all current assets (other than the insurance proceeds recovered in respect of claims relating to the Property, if any) minus all current liabilities (excluding the Shareholder Loan Amount, if any), which will be determined with reference to the Pro Forma Completion Accounts or the Completion Accounts (as the case may be)
"Air-Conditioning Price Adjustment Amount"	the amount of HK$3,000,000 being the price adjustment amount for the repair in relation to certain faulty air-conditioners in the Property
"Board"	the board of Directors
"Business Days"	a day other than a Saturday or Sunday or public holiday in Hong Kong or Singapore, on which banks are open in Hong Kong and Singapore to the general public for business and on which no tropical cyclone warning signal no. 8 or above and no black rainstorm warning signal is in force in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.
"Buyer"	Oriental Effort Limited, a limited company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company
"Company"	Hanison Construction Holdings Limited (stock code: 896), a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms of the SPA

"Completion Accounts"	the completion accounts of the Target Company as audited by the Reporting Accountants, or as determined by the expert jointly appointed by the Seller and the Buyer in the event of disagreement, in the manner as set out in the SPA
"Completion Date"	8 November 2019, or such other date as mutually agreed in writing between the Seller and the Buyer, being the date on which Completion shall take place in accordance with the terms of the SPA
"Conditions Precedent"	conditions precedent to the Completion
"connected persons"	has the meaning as ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Buyer to the Seller for the purchase of the Sale Share and the Shareholder Loan (if any) which is the aggregate sum of (a) the Offer Price of HK$740,800,000 minus the Air-Conditioning Price Adjustment Amount; and (b) the Actual Adjusted NCAV Amount
"Deposit Amount"	the deposit in the aggregate sum of HK$74,080,000 which has been paid by the Buyer to the Seller's solicitors as stakeholders on or before the date of the SPA
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Estimated Adjusted NCAV Amount"	the estimated Adjusted NCAV Amount at Completion determined with reference to the Pro Forma Completion Accounts
"Existing Bank Loan"	means the HK$186,000,000 term loan facility dated 16 January 2015 between the Target Company, as the borrower, and the Lender, as the lender bank
"Existing Bank Loan Amount"	the amount outstanding under the Existing Bank Loan from time to time, together with any and all further interest, prepayment fees, break funding fees, commitment fees, costs and expenses and other amount(s), incurred by or payable to the Lender to fully release and discharge the existing securities with effect from Completion

"Group"	the Company and its subsidiaries
"HIBOR"	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 November 2019, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Lender"	the lender bank of the Existing Bank Loan
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Major Damage"	any damage to the Property, such that restoration or repair of the Property to a substantially similar physical state and condition as at the date of the SPA would require more than twelve (12) months to complete
"Offer Price"	the offer price of HK$740,800,000
"Pro Forma Completion Accounts"	the pro forma statement of financial position of the Target Company and the pro forma statement of comprehensive income of the Target Company for the period from the day immediately following the last accounting date to the Completion Date, which will be delivered to the Buyer no later than five (5) Business Days prior to (but excluding) the Completion Date (or within such other period as the Seller and the Buyer may agree in writing) for review by the Buyer
"Property"	the entire block of building located at No. 29 Jervois Street, Hong Kong
"Reporting Accountants"	KPMG, the reporting accountants of the Target Company
"Sale Share"	one share of the Target Company, representing the entire issued and paid up share capital of the Target Company, free from encumbrances

"Seller"	Citadines Mercer (Hong Kong) Pte. Ltd., a company incorporated in Singapore which is the legal and beneficial owner of the Sale Share and the Shareholder Loan (if any)
"Seller's Guarantor"	The Ascott Holdings Limited, a company incorporated in Singapore and holds all of the issued share capital of the Seller through an intermediate holding company
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shareholder"	holder of the ordinary share of HK$0.1 each in the share capital of the Company
"Shareholder Loan"	the loan provided by the Seller to the Target Company and owing by the Target Company to the Seller at Completion (if any), the benefit of which will be assigned to the Buyer on Completion
"Shareholder Loan Amount"	the amount outstanding from the Target Company to the Seller under the Shareholder Loan at Completion (if any)
"SPA"	the sale and purchase agreement entered into between the Seller and the Buyer in relation to the Acquisition on 11 October 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Excel Chinese International Limited, a company incorporated in Hong Kong
"US" or "United States"	United States of America
"US$"	US dollars, the lawful currency of the United States
"%"	per cent

興勝創建控股有限公司
HANISON CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

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
3 On Kwan Street
Shek Mun, Shatin
New Territories
Hong Kong

25 November 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF A TARGET COMPANY

INTRODUCTION

References are made to the announcements made by the Company on 11 October 2019 and 23 October 2019 in relation to the Acquisition.

On 11 October 2019 (after trading hours), the Buyer (an indirect wholly owned subsidiary of the Company) entered into the SPA with the Seller and the Seller's Guarantor in relation to the acquisition of the Sale Share and the Shareholder Loan (if any) at the Consideration (i.e. the aggregate sum of (a) the Offer Price of HK$740,800,000 minus the Air-Conditioning Price Adjustment Amount; and (b) the Actual Adjusted NCAV Amount).

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

11 October 2019

Parties

(a) the Buyer

(b) the Seller

(c) the Seller's Guarantor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Seller, the Seller's Guarantor and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Subject Matter

Subject to the terms and conditions of the SPA, the Buyer has conditionally agreed to purchase from the Seller, the Sale Share (representing the entire issued and paid-up share capital of the Target Company) and the Shareholder Loan (if any), all free and clear of any encumbrances (other than certain permitted encumbrances as agreed in the SPA) at the Consideration (i.e. the aggregate sum of (a) the Offer Price of HK$740,800,000 minus the Air-Conditioning Price Adjustment Amount; and (b) the Actual Adjusted NCAV Amount).

The Target Company is principally engaged in the serviced residence and hotel business operated at the Property in the name "Citadines Mercer Hong Kong", and holds the Property located at No. 29 Jervois Street, Hong Kong. The Property is a 28-storey serviced residence building and has a total of 55 guestrooms with a total gross floor area of 37,933 square feet.

Consideration

The Consideration shall be the aggregate sum of (a) the Offer Price of HK$740,800,000 minus the Air-Conditioning Price Adjustment Amount; and (b) the Actual Adjusted NCAV Amount.

The Consideration shall be paid in the following manner:

(a) an aggregate sum of HK$74,080,000, being the Deposit Amount, has been paid to the Seller's solicitors as stakeholders on or before the date of the SPA;

(b) the Buyer shall pay the Existing Bank Loan Amount as directed and instructed by the Seller in favour of the Lender upon Completion;

(c) the Buyer shall pay the remaining balance of the Offer Price (after deducting the Deposit Amount, the Existing Bank Loan Amount and the Air-Conditioning Price Adjustment Amount, and adjusted by the Estimated Adjusted NCAV Amount) to the Seller upon Completion; and

(d) the difference between the Estimated Adjusted NCAV Amount and the Actual Adjusted NCAV Amount (if any) shall be settled in the manner and at such time as described under the paragraphs headed ''THE SPA – Adjustments to the Consideration'' below.

Adjustments to the Consideration

For the purpose of carrying out the Completion, the Seller and the Buyer agree to first adopt the Offer Price minus the Air-Conditioning Price Adjustment Amount and the Estimated Adjusted NCAV Amount as the initial consideration.

Subject to and following Completion, the Seller shall deliver the draft Completion Accounts to the Buyer not later than thirty (30) days after Completion. Subject to the Seller's delivery of the draft Completion Accounts, the Buyer shall at its cost procure the draft Completion Accounts to be audited by the Reporting Accountants and deliver the draft Completion Accounts as audited by the Reporting Accountants to the Seller within sixty days (60) after Completion. If there is no disagreement by the Seller, the draft Completion Accounts as audited by the Reporting Accountants shall be deemed as the Completion Accounts. If agreement cannot be reached, the Seller and the Buyer shall jointly appoint an expert to make a decision on the dispute in the manner set out in the SPA. The Seller and the Buyer shall then calculate the Actual Adjusted NCAV Amount with reference to the figures as shown in the Completion Accounts, and make the adjustment (if any) as follows:

(a) if the Actual Adjusted NCAV Amount exceeds (or is less negative than) the Estimated Adjusted NCAV Amount, the Buyer shall pay the Seller an amount equal to such excess; or

(b) if the Actual Adjusted NCAV Amount is less than (or more negative than) the Estimated Adjusted NCAV Amount, the Seller shall pay the Buyer an amount equal to such excess.

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

Conditions Precedent

Completion is conditional upon the Conditions Precedent being satisfied (or waived by the Buyer) on the Completion Date. The Conditions Precedent include, among others, the following:

(a) the fundamental warranties of the Seller relating to its authority, the Sale Share and the Property as set out in the SPA remaining true and accurate in all material respects on the Completion Date; and

(b) no Major Damage having occurred during the period between the signing of the SPA and the Completion Date.

As at 8 November 2019, all of the Conditions Precedent have been fulfilled.

Completion

With the satisfaction of the Conditions Precedent, the Completion has taken place on 8 November 2019 (i.e. the Completion Date).

Pre-completion Undertakings

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

Warranties and limitation of claim

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

The total liability of the Seller and the Seller's Guarantor under the SPA shall not exceed the Offer Price (for a claim under or in relation to the fundamental warranties as prescribed under the SPA). The total liability of the Seller and the Seller's Guarantor under the transaction documents (excluding warranty claim relating to a fundamental warranty) shall not exceed a sum equal to HK$148,160,000 (i.e. 20% of the Offer Price).

The Buyer shall not be entitled to claim in respect of any relevant claim any special, indirect or consequential losses.

Guarantee by the Seller's Guarantor

The Seller's Guarantor irrevocably and unconditionally guarantees to the Buyer the due and punctual performance of each obligation of the Seller contained in the SPA.

Costs

Each party shall pay its own costs relating to the negotiation, preparation, execution and performance by it of the SPA and other transaction documents. The stamp duty payable on the transfer of the Sale Share shall be borne by the Buyer.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company:

(a) is principally engaged in the serviced residence and hotel business operated at the Property in the name "Citadines Mercer Hong Kong"; and

(b) holds the Property located at No. 29 Jervois Street, Hong Kong.

Immediately prior to Completion, the Target Company is wholly owned by the Seller. In carrying out the serviced residence and hotel business, certain premises of the Property are leased to the tenants and customers of the hotel and accordingly the Acquisition is subject to the aforesaid existing leases.

According to the property valuation report prepared by Colliers International (Hong Kong) Limited, an independent professional property valuer, which is set out in Appendix V to this circular, the market value of the Property as at 30 September 2019 was HK$740,800,000.

Set out below is the audited financial information of the Target Company for the year ended 31 December 2017 and 31 December 2018, as extracted from the accountants' report set forth in Appendix II:

	For the year ended 31.12.2017 *(HK$'000)*	**For the year ended 31.12.2018** *(HK$'000)*
Net loss before taxation and extraordinary items	2,440	2,120
Net loss after taxation and extraordinary items	2,644	2,219

The audited total asset value and the audited net liabilities of the Target Company as at 31 December 2018, as extracted from the accountants' report set forth in Appendix II was HK$154,834,000 and HK$8,211,000 respectively.

Upon Completion, the Target Company 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 BUYER

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 Buyer 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 AND THE SELLER'S GUARANTOR

The Seller is a company incorporated in Singapore and its principal business activity is investment in the Target Company.

The Seller's Guarantor is a company incorporated in Singapore and holds all of the issued share capital of the Seller through an intermediate holding company. Its principal business activity includes property investments. The Seller's Guarantor is in turn held by CapitaLand Limited, which is an entity listed on the Singapore stock exchange.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and its financial results will be consolidated in the accounts of the Company. The Target Company will contribute rental income to the Group, and therefore enhance the revenue stream and broaden the earnings base of the Group going forward.

Assets and liabilities

Upon Completion, the total assets and total liabilities of the Group are expected to increase by approximately HK$595,000 and increase by approximately HK$2,670,000 respectively immediately after Completion, due to the consolidation of the Target Company.

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.

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 of 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 of 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. 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. As such, no extraordinary general meeting will be convened for the purpose of approving the Acquisition.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Acquisition and the transactions contemplated thereunder are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the 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.

ADDITIONAL INFORMATION

Your attention is also 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) and 26 June 2018 (pages 138-307), 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 from operation, 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 30 September 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$1,061,950,000 in total, of which HK$801,950,000 were secured by certain leasehold land and buildings and investment properties of the Enlarged Group and guaranteed by one of the Company's subsidiaries, HK$100,000,000 were unsecured and guaranteed by one of the Company's subsidiaries, and the remaining bank loans of HK$160,000,000 were secured by certain leasehold land and buildings of the Enlarged Group and unguaranteed; and

(b) lease liabilities amounting to approximately HK$6,757,000 which were secured by rental deposits and unguaranteed, and lease liabilities amounting to approximately HK$3,205,000 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 30 September 2019, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or 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 acquisition of the entire issued share capital of Storage Portfolio Holding II Ltd and its subsidiaries, together with the related shareholder's loan at an aggregate consideration of HK$735,000,000. Further details of the acquisition are set out in the announcements of the Company dated 16 July 2019 and 25 July 2019.

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 a report set out on pages II-1 to II-42, received from the Target Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF EXCEL CHINESE INTERNATIONAL LIMITED TO THE DIRECTORS OF HANISON CONSTRUCTION HOLDINGS LIMITED

Introduction

We report on the historical financial information of Excel Chinese International Limited (the "Target Company") set out on pages II-4 to II-42, which comprises the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018 and 30 June 2019 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows, for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 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 II-4 to II-42 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 November 2019 (the "Circular") in connection with the acquisition of the entire interests of the Target Company.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

The Underlying Financial Statements of the Target Company as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the 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 and presentation 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 purpose of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2018 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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 enquiries, 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 Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

KPMG
Certified Public Accountants
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25 November 2019

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report. The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Target Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Statements of profit or loss and other comprehensive income
(Expressed in Hong Kong dollars)

		Year ended 31 December			Six months ended 30 June	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
					(Unaudited)	
Revenue	*3*	$ 32,102,616	$ 34,417,538	$ 37,338,721	$ 18,287,649	$ 17,196,912
Direct operating costs		(26,711,722)	(26,764,433)	(28,343,157)	(13,946,092)	(14,373,969)
		$ 5,390,894	$ 7,653,105	$ 8,995,564	$ 4,341,557	$ 2,822,943
Interest income	*4*	1,932	7,539	11,371	3,141	14,447
Marketing expenses		(1,913,560)	(1,806,399)	(1,957,454)	(1,022,072)	(988,889)
Administrative expenses		(3,600,095)	(3,650,109)	(3,594,567)	(1,779,784)	(1,858,040)
(Loss)/profit from operation		$ (120,829)	$ 2,204,136	$ 3,454,914	$ 1,542,842	$ (9,539)
Finance costs	*5(a)*	(4,168,698)	(4,643,844)	(5,574,894)	(2,500,639)	(3,044,700)
Loss before taxation	*5*	$ (4,289,527)	$ (2,439,708)	$ (2,119,980)	$ (957,797)	$ (3,054,239)
Income tax credit/ (expense)	*6(a)*	232,138	(204,653)	(99,139)	13,871	290,822
Loss and total comprehensive income for the year/ period		$ (4,057,389)	$ (2,644,361)	$ (2,219,119)	$ (943,926)	$ (2,763,417)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position

(Expressed in Hong Kong dollars)

	Note	As at 31 December 2016	2017	2018	As at 30 June 2019
Non-current assets					
Property, plant and equipment	*9*	$164,279,321	$156,132,796	$148,114,331	$144,012,185
Deferred tax assets	*12(b)*	–	–	71,597	362,419
		$164,279,321	$156,132,796	$148,185,928	$144,374,604
Current assets					
Trade and other receivables	*10*	$ 1,035,561	$ 1,608,389	$ 1,062,663	$ 820,776
Amounts due from fellow subsidiaries	*14*	5,372,456	1,165,405	344,276	79,283
Tax recoverable	*12(a)*	214,237	–	–	–
Cash and cash equivalents	*11*	6,068,757	2,956,860	5,240,940	6,525,161
		$ 12,691,011	$ 5,730,654	$ 6,647,879	$ 7,425,220
Current liabilities					
Trade and other payables	*13*	$ 1,501,736	$ 2,084,371	$ 2,650,015	$ 2,630,935
Amounts due to fellow subsidiaries	*14*	529,645	387,213	355,664	104,178
Current taxation	*12(a)*	–	302,637	39,111	39,111
		$ 2,031,381	$ 2,774,221	$ 3,044,790	$ 2,774,224
Net current assets		$ 10,659,630	$ 2,956,433	$ 3,603,089	$ 4,650,996
Total assets less current liabilities		$174,938,951	$159,089,229	$151,789,017	$149,025,600

	Note	As at 31 December 2016	2017	2018	As at 30 June 2019
Non-current liabilities					
Deferred tax liabilities	*12(b)*	$ 286,454	$ 81,093	$ –	$ –
Interest-bearing bank loan	*15*	178,000,000	165,000,000	160,000,000	160,000,000
		$178,286,454	$165,081,093	$160,000,000	$160,000,000
NET LIABILITIES		$ (3,347,503)	$ (5,991,864)	$ (8,210,983)	$ (10,974,400)
CAPITAL AND RESERVE	*16*				
Share capital		$ 1	$ 1	$ 1	$ 1
Accumulated losses		(3,347,504)	(5,991,865)	(8,210,984)	(10,974,401)
EQUITY DEFICIT		$ (3,347,503)	$ (5,991,864)	$ (8,210,983)	$ (10,974,400)

The accompanying notes form part of the Historical Financial Information.

Statements of changes in equity

(Expressed in Hong Kong dollars)

	Share capital	Retained earnings/ (accumulated losses)	Total
Balance at 1 January 2016	$ 1	$ 709,885	$ 709,886
Loss and total comprehensive income for the year	–	(4,057,389)	(4,057,389)
Balance at 31 December 2016 and 1 January 2017	$ 1	$ (3,347,504)	$ (3,347,503)
Loss and total comprehensive income for the year	–	(2,644,361)	(2,644,361)
Balance at 31 December 2017 and 1 January 2018	$ 1	$ (5,991,865)	$ (5,991,864)
Loss and total comprehensive income for the year	–	(2,219,119)	(2,219,119)
Balance at 31 December 2018 and 1 January 2019	$ 1	$ (8,210,984)	$ (8,210,983)
Loss and total comprehensive income for the period	–	(2,763,417)	(2,763,417)
Balance at 30 June 2019	$ 1	$ (10,974,401)	$ (10,974,400)
(Unaudited)			
Balance at 1 January 2018	$ 1	$ (5,991,865)	$ (5,991,864)
Loss and total comprehensive income for the period	–	(943,926)	(943,926)
Balance at 30 June 2018	$ 1	$ (6,935,791)	$ (6,935,790)

The accompanying notes form part of the Historical Financial Information.

Statements of cash flows

(Expressed in Hong Kong dollars)

		Year ended 31 December			Six months ended 30 June	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
					(Unaudited)	
Operating activities						
Loss before taxation		$ (4,289,527)	$ (2,439,708)	$ (2,119,980)	$ (957,797)	$ (3,054,239)
Adjustments for:						
Depreciation	*5(c)*	8,549,062	8,526,330	8,292,678	4,167,811	4,103,746
Finance costs	*5(a)*	4,168,698	4,643,844	5,574,894	2,500,639	3,044,700
Interest income	*4*	(1,932)	(7,539)	(11,371)	(3,141)	(14,447)
Operating cash flow before changes in working capital		$ 8,426,301	$ 10,722,927	$ 11,736,221	$ 5,707,512	$ 4,079,760
Changes in working capital:						
Decrease/(increase) in trade and other receivables		1,444,945	(572,828)	545,726	718,067	241,887
(Increase)/decrease in amounts due from fellow subsidiaries		(3,872,456)	4,207,051	821,129	528,226	264,993
Increase/(decrease) in trade and other payables		244,709	582,635	565,644	348,728	(19,080)
Decrease in amounts due to fellow subsidiaries		(49,821)	(142,432)	(31,549)	(257,342)	(251,486)
Cash generated from operations		$ 6,193,678	$ 14,797,353	$ 13,637,171	$ 7,045,191	$ 4,316,074
Hong Kong Profits Tax refunded/(paid)		505,918	106,860	(515,355)	–	–
Net cash generated from operating activities		$ 6,699,596	$ 14,904,213	$ 13,121,816	$ 7,045,191	$ 4,316,074

	Note	Year ended 31 December 2016	2017	2018	Six months ended 30 June 2018 (Unaudited)	2019
Investing activities						
Payment for the purchase of property, plant and equipment		$ (271,909)	$ (379,805)	$ (274,213)	$ –	$ (1,600)
Interest received		1,932	7,539	11,371	3,141	14,447
Net cash (used in)/ generated from investing activities		$ (269,977)	$ (372,266)	$ (262,842)	3,141	12,847
Financing activities						
Repayment of interest-bearing bank loan	*11*	$ –	$ (13,000,000)	$ (5,000,000)	$ (5,000,000)	$ –
Finance costs paid on interest-bearing bank loan	*11*	(4,168,698)	(4,643,844)	(5,574,894)	(2,500,639)	(3,044,700)
Net cash used in financing activities		$ (4,168,698)	$ (17,643,844)	$ (10,574,894)	$ (7,500,639)	$ (3,044,700)
Net cash increase/ (decrease) in cash and cash equivalents		$ 2,260,921	$ (3,111,897)	$ 2,284,080	$ (452,307)	$ 1,284,221
Cash and cash equivalents at the beginning of year/ period		3,807,836	6,068,757	2,956,860	2,956,860	5,240,940
Cash and cash equivalents at the end of year/period		$ 6,068,757	$ 2,956,860	$ 5,240,940	$ 2,504,553	$ 6,525,161

The accompanying notes form part of the Historical Financial Information.

Notes to the Historical Financial Information

(Expressed in Hong Kong dollars)

1 General information

Excel Chinese International Limited ("the Target Company") was incorporated in Hong Kong on 5 June 2007 under the Hong Kong Companies Ordinance. The registered office of the Target Company is located at 25th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong and the principal place of business is located at No. 29, Jervois Street, Sheung Wan, Hong Kong.

The principal activity of the Target Company is the operation hotel property and provision of management services.

2 Significant accounting policies

(a) Statement of compliance and basis of preparation and presentation

The Historical Financial Information of the Target Company has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in note 2 to the Historical Financial Information.

For the purpose of preparing this Historical Financial Information, the Target Company has adopted all applicable new and revised HKFRSs consistently throughout the Relevant Periods, except for HKFRS 9, *Financial Instruments* and HKFRS 15, *Revenue from Contracts with Customers*, which have been initially applied on 1 January 2018, and HKFRS 16, *Leases*, which has been initially applied on 1 January 2019. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9, HKFRS 15 and HKFRS 16 respectively.

The HKICPA has issued a number of new and revised HKFRSs. The Target Company has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2019. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2019 are set out in note 21.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information is presented in Hong Kong dollar ("$"), which is the Target Company's functional currency.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Target Company had net liabilities of $3,347,503, $5,991,864, $8,210,983 and $10,974,400 respectively, of which $178,000,000, $165,000,000, $160,000,000, and $160,000,000 were interest-bearing bank loan. The Historical Financial Information has been prepared on going concern basis. The intermediate holding company of the purchaser, Hanison Construction Holdings (BVI) Limited, has agreed to provide adequate funds for the Target Company as is necessary to enable the Target Company to meet its financial obligations as and when they fall due for the next twelve months from the end of the Relevant Periods.

Accordingly, the directors of the Target Company are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information contained in the Circular does not constitute the Target Company's statutory financial statements for either of the years ended 31 December 2016, 2017 and 2018 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

As the Target Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Target Company's auditor has reported on these financial statements for all three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(b) Impact of application of new and revised HKFRSs during the Relevant Periods

The Target Company has applied HKFRS 9, *Financial Instruments* and HKFRS 15, *Revenue from Contracts with Customers* since 1 January 2018, and HKFRS 16, *Leases* since 1 January 2019, in accordance with the transition provisions of corresponding HKFRS without restating the comparative information. Except for certain enhanced disclosures, there is no material transitional effect on how the Target Company's results and financial position have been prepared or presented upon initial adoption of HKFRS 9, 15 and 16.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Hotel property	36 years
– Leasehold improvements	10 years
– Furniture, fixtures and equipment	2 – 7 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its 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. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(d) Leased assets

At inception of a contract, the Target Company assesses whether the contract is, or contains, a lease. During the Relevant Periods, the Target Company has not entered into any significant contracts as lessees but it has leased out insignificant portion of the hotel property to a restaurant under operating lease. The rental income from operating lease is recognised in accordance with note 2(k)(ii).

(A) Policy applicable from 1 January 2019

For a contract entered into on or after 1 January 2019, it 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

When the Target Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(B) Policy applicable prior to 1 January 2019

For contracts entered into before 1 January 2019, the Target Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

– facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

When the Target Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Target Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Target Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(e) Trade and other receivables

A receivable is recognised when the Target Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

(A) Policy applicable from 1 January 2018

The loss allowance is measured at an amount equal to lifetime expected credit losses ("ECLs"), which are those losses that are expected to occur over the expected life of the trade debtors. The loss allowance is estimated using a provision matrix based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Target Company recognsies a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Target Company recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The measurement categories for all financial assets and liabilities remain the same. The carrying amounts for all financial asset and liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(B) Policy applicable prior to 1 January 2018

Impairment losses for bad and doubtful debts were recognised when there was objective evidence of impairment and were measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting was material. Objective evidence of impairment includes observable data that comes to the attention of the Target Company about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for trade debtors whose recovery was considered doubtful but not remote were recorded using an allowance account. When the Target Company was satisfied that recovery was remote, the amount considered irrecoverable was written off against trade debtors directly and any amounts held in the allowance account relating to that debt were reversed. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. From 1 January 2018, cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(e).

(g) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(h) Interest-bearing bank loan

Interest-bearing bank loan recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing bank loan is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(i) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Revenue and other income

(A) Policy applicable from 1 January 2018

Income is classified by the Target Company as revenue when it arises from the provision of services or the use by others of the Target Company's assets under leases in the ordinary course of the Target Company's business.

Revenue is recognised when service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Target Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(B) Policy applicable prior to 1 January 2018

Revenue was measured at the fair value of the consideration received or receivable. Provided it was probable that the economic benefits will flow to the Target Company and the revenue and costs, if applicable, could be measured reliably.

Further details of the Target Company's revenue and other income recognition policies are as follows:

(i) Hotel operations (including food and beverage)

Revenue is recognised on a basis that reflects the timing, nature and value when the relevant services are transferred to the customer.

(ii) Rental income from operating lease

Rental income receivable under operating lease is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Management fee income

Management fee income is recognised as the related services are provided.

(iv) Interest income

Interest income is recognised as it accrues with the effective interest method.

(l) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(m) Related parties

(a) A person, or a close member of that person's family, is related to the Target Company if that person:

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

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

(iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(n) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Company's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Target Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products or provided the services, and the nature of operating processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(o) Accounting judgments and estimates

Judgments made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed below:

Assessment of the useful economic lives of property, plant and equipment

The Target Company estimates the economic useful lives of property, plant and equipment based on the periods over which the assets are expected to be available for use. The Target Company reviews annually the estimates useful lives of property, plant and equipment, based on factors that include asset utilisation, the expected physical wear and tear (which depends on operational factors) and environmental information. It is possible that future results of operations could be materially affected by changes in these estimated brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease the carrying amount of the non-current assets.

3 Revenue

The principal activity of the Target Company is the operation of hotel property and provision of management services.

The directors of the Target Company are identified as the chief operating decision marker for the purposes of resource allocation and performance assessment. The Target Company currently operate hotel property, which is considered to be a single operating segment. Accordingly, no segment information is reported. For the Relevant Periods, all revenue and non-current assets of the Target Company are derived and located in Hong Kong.

From 1 January 2018, except for rental income derived from the insignificant portion of the hotel property leased to a tenant, revenue represents the consideration expected to be received in respect of the transfer of goods and services in accordance with HKFRS 15, *Revenue from contracts with customers*.

The amount of each significant category of revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Hotel room revenue, food and beverage	$25,837,206	$27,068,877	$30,005,154	$14,416,042	$14,132,498
Management fee income	5,120,622	6,189,833	6,167,719	3,288,683	2,696,328
Rental income	1,144,788	1,158,828	1,165,848	582,924	368,086
	$32,102,616	$34,417,538	$37,338,721	$18,287,649	$17,196,912

4 Interest income

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Bank interest income	$ 1,932	$ 7,539	$ 11,371	$ 3,141	$ 14,447

5 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(Unaudited)	
Interest on bank interest-bearing bank loan *(note 15)*	$ 4,168,698	$ 4,643,844	$ 5,574,894	$ 2,500,639	$ 3,044,700

(b) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(Unaudited)	
Salaries, wages and other benefits	$13,852,625	$13,716,267	$15,404,560	$ 7,503,852	$ 7,890,387
Contributions to Mandatory Provident Fund	495,548	564,508	624,310	318,668	278,512
	$14,348,173	$14,280,775	$16,028,870	$ 7,822,520	$ 8,168,899

(c) Other items

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(Unaudited)	
Auditor's remuneration	$ 59,116	$ 107,200	$ 120,000	$ 66,000	$ 66,000
Depreciation	8,549,062	8,526,330	8,292,678	4,167,811	4,103,746

6 Income tax in the statements of profit or loss and other comprehensive income

(a) Taxation charged to profit or loss:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Current tax – Hong Kong Profits Tax					
Provision for the year	$ 119,441	$ 426,046	$ 290,993	$ 129,566	$ –
Over-provision in respect of prior year	(98,312)	(16,032)	(39,164)	(39,164)	–
	$ 21,129	$ 410,014	$ 251,829	$ 90,402	$ –
Deferred tax					
Origination and reversal of temporary differences *(note 12(b))*	$ (253,267)	$ (205,361)	$ (112,144)	$ (63,727)	$ (219,225)
Effect on opening deferred tax balances resulting from a change in tax rate during the period *(note 12(b))*	–	–	(40,546)	(40,546)	(71,597)
	$ (253,267)	$ (205,361)	$ (152,690)	$ (104,273)	$ (290,822)
	$ (232,138)	$ 204,653	$ 99,139	$ (13,871)	$ (290,822)

Note:

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 December 2016 and 2017.

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 December 2018 are calculated in accordance with the two-tiered profits tax rate regime. The deferred tax has also been re-estimated.

The Target Company is not eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2019 as this concession has been taken elsewhere in the group to which the Target Company belongs.

(b) Reconciliation between tax expense charged to profit or loss and accounting loss at applicable tax rate:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Loss before taxation	$ (4,289,527)	$ (2,439,708)	$ (2,119,980)	$ (957,797)	$ (3,054,239)
Notional tax on loss before taxation	$ (707,772)	$ (402,552)	$ (514,797)	$ (79,019)	$ (503,949)
Tax effect of non-taxable income	–	(1,244)	(1,877)	(259)	(2,384)
Tax effect of non-deductible expenses	573,946	624,481	695,523	145,117	287,108
Over-provision in respect of prior year	(98,312)	(16,032)	(39,164)	(39,164)	–
Effect on deferred tax balances resulting from a change in tax rate *(note 12(b))*	–	–	(40,546)	(40,546)	(71,597)
Actual tax (credit)/ expense	$ (232,138)	$ 204,653	$ 99,139	$ (13,871)	$ (290,822)

7 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
For the year ended 31 December 2016							
Directors							
Goh Soon Keat Kevin	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Tan Tze Shang	–	–	–	–	–	–	–
	$ –	$ –	$ –	$ –	$ –	$ –	$ –
For the year ended 31 December 2017							
Directors							
Goh Soon Keat Kevin	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Tan Tze Shang	–	–	–	–	–	–	–
	$ –	$ –	$ –	$ –	$ –	$ –	$ –
For the year ended 31 December 2018							
Directors							
Goh Soon Keat Kevin	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Tan Tze Shang	–	–	–	–	–	–	–
	$ –	$ –	$ –	$ –	$ –	$ –	$ –
For the period ended 30 June 2018 (unaudited)							
Directors							
Goh Soon Keat Kevin	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Tan Tze Shang	–	–	–	–	–	–	–
	$ –	$ –	$ –	$ –	$ –	$ –	$ –

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
For the period ended 30 June 2019							
Directors							
Goh Soon Keat Kevin	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Tan Tze Shang	–	–	–	–	–	–	–
	$ –	$ –	$ –	$ –	$ –	$ –	$ –

Directors of the Target Company are not paid directly by the Target Company but receive remuneration from the Target Company's group companies, in respect of their services to the larger group. No apportionment has been made as the qualifying services provided by these directors to the Target Company are incidental to their responsibilities to the larger group.

8 Dividends

No dividend was declared or paid by the Target Company during the Relevant Periods to its equity shareholders.

9 Property, plant and equipment

	Hotel property	Leasehold improvements	Furniture, fixtures and equipment	Total
Cost:				
At 1 January 2016	$ 178,623,260	$ 30,759,062	$ 6,050,712	$ 215,433,034
Additions	–	32,000	239,909	271,909
At 31 December 2016	$ 178,623,260	$ 30,791,062	$ 6,290,621	$ 215,704,943
At 1 January 2017	$ 178,623,260	$ 30,791,062	$ 6,290,621	$ 215,704,943
Additions	–	–	379,805	379,805
At 31 December 2017	$ 178,623,260	$ 30,791,062	$ 6,670,426	$ 216,084,748
At 1 January 2018	$ 178,623,260	$ 30,791,062	$ 6,670,426	$ 216,084,748
Additions	–	–	274,213	274,213
At 31 December 2018	$ 178,623,260	$ 30,791,062	$ 6,944,639	$ 216,358,961
At 1 January 2019	$ 178,623,260	$ 30,791,062	$ 6,944,639	$ 216,358,961
Additions	–	–	1,600	1,600
At 30 June 2019	$ 178,623,260	$ 30,791,062	$ 6,946,239	$ 216,360,561
Accumulated depreciation:				
At 1 January 2016	$ 23,811,348	$ 14,136,519	$ 4,928,693	$ 42,876,560
Charge for the year	4,914,600	3,081,574	552,888	8,549,062
At 31 December 2016	$ 28,725,948	$ 17,218,093	$ 5,481,581	$ 51,425,622
At 1 January 2017	$ 28,725,948	$ 17,218,093	$ 5,481,581	$ 51,425,622
Charge for the year	4,914,600	3,083,524	528,206	8,526,330
At 31 December 2017	$ 33,640,548	$ 20,301,617	$ 6,009,787	$ 59,951,952
At 1 January 2018	$ 33,640,548	$ 20,301,617	$ 6,009,787	$ 59,951,952
Charge for the year	4,914,668	3,083,671	294,339	8,292,678
At 31 December 2018	$ 38,555,216	$ 23,385,288	$ 6,304,126	$ 68,244,630
At 1 January 2019	$ 38,555,216	$ 23,385,288	$ 6,304,126	$ 68,244,630
Charge for the period	2,457,334	1,541,836	104,576	4,103,746
At 30 June 2019	$ 41,012,550	$ 24,927,124	$ 6,408,702	$ 72,348,376

	Hotel property	Leasehold improvements	Furniture, fixtures and equipment	Total
Net book value:				
At 30 June 2019	$ 137,610,710	$ 5,863,938	$ 537,537	$ 144,012,185
At 31 December 2018	$ 140,068,044	$ 7,405,774	$ 640,513	$ 148,114,331
At 31 December 2017	$ 144,982,712	$ 10,489,445	$ 660,639	$ 156,132,796
At 31 December 2016	$ 149,897,312	$ 13,572,969	$ 809,040	$ 164,279,321

Hotel property is situated in Hong Kong and is held under long-term leases. Insignificant portion of the hotel property is leased to a tenant under operating lease.

(a) Assets leased out under operating lease

During the Relevant Periods, the Target Company leases out an insignificant portion of the hotel property to a restaurant under operating lease. The leases typically run for an initial period of 6 months to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments. At the end of each of the reporting period, undiscounted lease payments under non-cancellable operating lease in place will be receivable by the Target Company as follows:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
Within 1 year	$ 1,096,875	$ 598,260	$ 184,080	$ 974,667
After 1 year but within 5 years	598,260	–	–	1,786,889
	$ 1,695,135	$ 598,260	$ 184,080	$ 2,761,556

10 Trade and other receivables

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
Trade debtors	$ 482,916	$ 1,100,539	$ 522,442	$ 281,846
Deposits and prepayments	552,645	507,850	540,221	538,930
	$ 1,035,561	$ 1,608,389	$ 1,062,663	$ 820,776

The Target Company's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 17(a).

At 31 December 2016, 2017 and 2018 and 30 June 2019, the amount of the Target Company's deposits and prepayments expected to be recovered or recognised as expense after more than one year amounted to $433,423, $370,636, $457,226 and $457,876, respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of each of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of allowance of doubtful debts, is as follows:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
Within 1 month	$ 481,486	$ 1,040,699	$ 508,992	$ 122,573
1 to 2 months	–	59,840	9,400	104,273
2 to 3 months	1,430	–	4,050	55,000
	$ 482,916	$ 1,100,539	$ 522,442	$ 281,846

11 Cash and cash equivalents

Reconciliation of liabilities arising from financing activities:

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

	Interest-bearing bank loan *(note 15)*				
	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(Unaudited)	
At 1 January	$178,000,000	$178,000,000	$165,000,000	$165,000,000	$160,000,000
Changes from financing cash flows:					
Repayment of interest-bearing bank loan	$ –	$ (13,000,000)	$ (5,000,000)	$ (5,000,000)	$ –
Interest paid	(4,168,698)	(4,643,844)	(5,574,894)	(2,500,639)	(3,044,700)
Total changes from financing cash flows	$ (4,168,698)	$ (17,643,844)	$ (10,574,894)	$ (7,500,639)	$ (3,044,700)
Other change:					
Interest on interest-bearing bank loan *(note 5(a))*	$ 4,168,698	$ 4,643,844	$ 5,574,894	$ 2,500,639	$ 3,044,700
Total other change	$ 4,168,698	$ 4,643,844	$ 5,574,894	$ 2,500,639	$ 3,044,700
At 31 December/30 June	$178,000,000	$165,000,000	$160,000,000	$160,000,000	$160,000,000

12 Income tax in the statements of financial position

(a) Current taxation in the statements of financial position represents:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
Provision for Hong Kong Profits Tax for the year/ period	$ 119,441	$ 426,046	$ 290,993	$ –
Balance of Hong Kong Profits Tax provision relating to prior years	–	–	–	39,111
Provisional Hong Kong Profits Tax paid	(333,678)	(123,409)	(251,882)	–
	$ (214,237)	$ 302,637	$ 39,111	$ 39,111

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the Relevant Periods are as follows:

	Tax benefit attributable to tax losses	Depreciation allowances in excess/(short) of related depreciation	Total
At 1 January 2016	$ –	$ 539,721	$ 539,721
Credited to profit or loss *(note 6(a))*	–	(253,267)	(253,267)
At 31 December 2016 and 1 January 2017	$ –	$ 286,454	$ 286,454
Credited to profit or loss *(note 6(a))*	–	(205,361)	(205,361)
At 31 December 2017 and 1 January 2018	$ –	$ 81,093	$ 81,093
Credited to profit or loss *(note 6(a))*	–	(112,144)	(112,144)
Effect on deferred tax balances resulting from a change in tax rate credited to profit or loss *(note 6(a))*	–	(40,546)	(40,546)
At 31 December 2018	$ –	$ (71,597)	$ (71,597)

		Tax benefit attributable to tax losses		Depreciation allowances in excess/(short) of related depreciation		Total
At 1 January 2019	$	–	$	(71,597)	$	(71,597)
Credited to profit or loss *(note 6(a))*		(87,431)		(131,794)		(219,225)
Effect on deferred tax balances resulting from a change in tax rate credited to profit or loss *(note 6(a))*		–		(71,597)		(71,597)
At 30 June 2019	$	(87,431)	$	(274,988)	$	(362,419)

13 Trade and other payables

		As at 31 December 2016		As at 31 December 2017		As at 31 December 2018		As at 30 June 2019
Trade payables	$	–	$	39,792	$	34,158	$	–
Accrued operating expenses and other payables		126,398		196,951		541,229		1,485,738
Rental deposits		239,628		209,628		219,628		219,628
Provision for bonus		1,135,710		1,638,000		1,855,000		925,569
	$	1,501,736	$	2,084,371	$	2,650,015	$	2,630,935

The ageing analysis of trade payables as of the end of each of the reporting period:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
Current to 3 months	$ –	$ 39,792	$ 34,158	$ –

All trade and other payables are expected to be settled within one year.

The Target Company's exposure to liquidity risk related to trade and other payables is disclosed in note 17(b).

14 Amounts due from/to fellow subsidiaries

The amounts due from/to fellow subsidiaries are unsecured, interest-free and recoverable/ repayable on demand.

15 Interest-bearing bank loan

The analysis of the carrying amount of non-current interest-bearing bank loan is as follows:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
Secured bank loan	$178,000,000	$165,000,000	$160,000,000	$160,000,000

At 31 December 2016, 2017, 2018 and 30 June 2019, the bank loan of the Target Company of $178,000,000, $165,000,000, $160,000,000 and $160,000,000 respectively, were secured by mortgages over hotel property with a carrying amount of $149,897,312, $144,982,712, $140,068,044 and $137,610,710 respectively.

The bank loan is interest-bearing at the Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.8% per annum at 31 December 2016, 2017, 2018 and 30 June 2019 and is repayable on 16 January 2022.

All of the Target Company's banking facilities are subject to the fulfilment of covenants relating to certain of the Target Company's balance sheet ratios, as commonly found in lending arrangements with financial institutions. If the Target Company were to breach the covenants the drawn down facilities would become payable on demand. The Target Company regularly monitors its compliance with these covenants. Further details of the Target Company's management of liquidity risk are set out in note 17(b). As at 31 December 2016, 2017, 2018 and 30 June 2019, none of the covenants relating to drawn down facilities had been breached.

16 Capital and reserve

(a) Components of the Target Company's capital and reserve

The opening and closing balances of each component of the Target Company's equity and a reconciliation between these amounts are set out in the statements of changes in equity.

(b) Issued share capital

	2016		**2017**		**2018**		**2019**	
	No. of share	*Amount*	*No. of share*	*Amount*	*No. of share*	*Amount*	*No. of share*	*Amount*
Ordinary share, issued and fully paid:								
At the beginning and the end of the year/period	1	$ 1	1	$ 1	1	$ 1	1	$ 1

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary share of the Target Company do not have a par value.

The holder of ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote per ordinary share at general meetings of the Target Company.

(c) Capital management

The Target Company's primary objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern. As the Target Company was part of a larger group during the Relevant Periods, the Target Company's sources of additional capital and policies for distribution of excess capital may also be affected by the Target Company's capital management objectives.

The Target Company defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions are not regarded by the Target Company as capital.

The Target Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Target Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Target Company or the group to which it belongs, to the extent that these do not conflict with the directors' fiduciary duties towards the Target Company or the requirements of the Hong Kong Companies Ordinance.

The Target Company is not subject to externally imposed capital requirements in the current and prior year.

17 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Target Company's business. These risks are limited by the Target Company's financial management policies and practices described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Company. The Target Company's credit risk is primarily attributable to trade and other receivables, amounts due from fellow subsidiaries and cash at bank. The Target Company has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis. The Target Company's cash at bank are placed with major financial institutions.

Room guests are requested to settle all outstanding balances before they check-out. Normally, upon check-in the Target Company will require its room guests for credit card debit authorisation. Other than that, the Target Company does not obtain any other collateral from its room guests. At the end of each of the reporting period, the Target Company has no concentration of credit risk. Due to no recent history of default and short duration of trade debtors, the ECL allowance is considered insignificant.

The Target Company considers the credit risk of amounts due from fellow subsidiaries to be low taken into account the past payment history, financial position and other factors.

The Target Company's exposure to credit risk arising from cash at bank is limited because the counterparties are banks with sound credit rating, for which the Target Company considers to have low credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position after deducting any loss allowance. There is no significant concentration of credit risks within the Target Company.

Based on the above assessment, no further loss allowance was recorded on 1 January 2018 upon initial adoption of HKFRS 9 as loss allowance was assessed to be immaterial.

(b) Liquidity risk

The Target Company's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient funding from its intermediate parent company to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of each of the reporting period of the Target Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the each of reporting period) and the earliest date the Target Company can be required to pay:

At 31 December 2016

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
Trade and other payables	$ 1,501,736	$ –	$ –	$ –	$ 1,501,736	$ 1,501,736
Amounts due to fellow subsidiaries	529,645	–	–	–	529,645	529,645
Interest-bearing bank loan	4,165,200	4,165,200	12,678,184	178,171,173	199,179,757	178,000,000
	$ 6,196,581	$ 4,165,200	$ 12,678,184	$ 178,171,173	$ 201,211,138	$ 180,031,381

At 31 December 2017

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
Trade and other payables	$ 2,084,371	$ –	$ –	$ –	$ 2,084,371	$ 2,084,371
Amounts due to fellow subsidiaries	387,213	–	–	–	387,213	387,213
Interest-bearing bank loan	4,636,500	4,636,500	174,476,244	–	183,749,244	165,000,000
	$ 7,108,084	$ 4,636,500	$ 174,476,244	$ –	$ 186,220,828	$167,471,584

At 31 December 2018

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Trade and other payables	$ 2,650,015	$ –	$ –	$ –	$ 2,650,015	$ 2,650,015
Amounts due to fellow subsidiaries	355,664	–	–	–	355,664	355,664
Interest-bearing bank loan	5,568,000	5,568,000	165,796,822	–	176,932,822	160,000,000
	$ 8,573,679	$ 5,568,000	$ 165,796,822	$ –	$ 179,938,501	$ 163,005,679

At 30 June 2019

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
Trade and other payables	$ 2,630,935	$ –	$ –	$ –	$ 2,630,935	$ 2,630,935
Amounts due to fellow subsidiaries	104,178	–	–	–	104,178	104,178
Interest-bearing bank loan	6,176,000	6,176,000	163,367,189	–	175,719,189	160,000,000
	$ 8,911,113	$ 6,176,000	$ 163,367,189	$ –	$ 178,454,302	$ 162,735,113

(c) Interest rate risk

The Target Company is exposed to interest rate risk through the impact of rates changes on variable rate borrowings. The following table indicates their effective interest rates at the end of each of the reporting period and the periods in which they reprice or the maturity dates, if earlier.

	As at 31 December 2016		As at 31 December 2017		As at 31 December 2018	
	Effective interest rate	*Amount*	*Effective interest rate*	*Amount*	*Effective interest rate*	*Amount*
Variable rate borrowings:						
Interest-bearing bank loan	2.34%	$ 178,000,000	2.81%	$ 165,000,000	3.48%	$ 160,000,000

	As at 30 June 2019	
	Effective interest rate	*Amount*
Variable rate borrowings:		
Interest-bearing bank loan	3.86%	$ 160,000,000

Interest rate sensitivity

At 31 December 2016, 2017, 2018 and 30 June 2019, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Target Company's loss after taxation and accumulated losses by approximately $445,000, $412,500, $400,000 and $400,000 respectively.

In respect of the exposure to cash flow interest rate risk arising from variable rate borrowing held by the Target Company at the end of each of the reporting period, the impact on the Target Company's loss after taxation and accumulated losses is estimated as an annualised impact on interest expense of such change in interest rates.

(d) Foreign currency risk

The Target Company has no significant exposure to foreign currency risk as substantially all of the Target Company's transactions are denominated in Hong Kong dollars.

(e) Fair value measurement

All financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2016, 2017 and 2018 and 30 June 2019.

18 Commitments

At 31 December 2016, 2017 and 2018 and 30 June 2019, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
Within 1 year	$ –	$ –	$ 218,000	$ 87,200

The Target Company is the lessee in respect of an office held under a short-term operating lease. The lease does not include contingent rentals.

19 Material related party transactions

All members of key management personnel are directors of the Target Company, and their remuneration is disclosed in note 7.

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

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(Unaudited)	
Management fee received/receivable from fellow subsidiaries	$ 5,120,622	$ 6,189,833	$ 6,167,719	$ 3,288,683	$ 2,696,328
Management fee paid/payable to a fellow subsidiary	1,172,914	1,343,955	1,428,664	683,704	617,563

20 Controlling parties

During the Relevant Periods, the immediate parent and ultimate controlling party of the Target Company to be Citadines Mercer (Hong Kong) Pte. Ltd. and CapitaLand Limited, respectively, both of them are incorporated in Singapore. CapitaLand Limited produces financial statements available for public use.

On 11 October 2019, Citadines Mercer (Hong Kong) Pte. Ltd. entered into a sales and purchase agreement, pursuant to which Citadines Mercer (Hong Kong) Pte. Ltd. conditionally agreed to sell, and Oriental Effort Limited conditionally agreed to acquire, the 100% equity interest in the Target Company. Upon completion of the transaction on 8 November 2019, the Target Company became a wholly owned subsidiary of Oriental Effort Limited.

21 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards which are not yet effective for the accounting period beginning on 1 January 2019 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Target Company.

	Effective for accounting periods beginning on or after
Revised Conceptual Framework for Financial Reporting 2018	1 January 2020
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
HKFRS 17, *Insurance contracts*	1 January 2021
Amendments to HKFRS 10, *Consolidated financial statements* and HKAS 28, *Investments in associates and joint ventures* "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined

The Target Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

22 Events after the Relevant Periods

Save for the change in controlling party as disclosed in note 20 there was no subsequent event that needs to be disclosed or adjusted by the Target Company as at the date of this report.

Subsequent Financial Statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 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 Excel Chinese International Limited (the "Target Company"), 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 11 October 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 Company, 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 Company 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

		Pro Forma Adjustments			Unaudited
	The Group as at 31 March 2019	**The Target Company as at 30 June 2019**			**pro forma total for the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)			
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Investment properties	2,225,570	–	–	–	2,225,570
Property, plant and equipment	393,119	144,012	593,426	8,908	1,139,465
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
Deferred tax assets	2,538	362	–	–	2,900
	3,614,075	144,374	593,426	8,908	4,360,783
Current assets					
Properties under development for sale	322,596	–	–	–	322,596
Properties held for sale	7,441	–	–	–	7,441
Inventories	15,357	–	–	–	15,357
Contract assets	267,080	–	–	–	267,080
Debtors, deposits and prepayments	114,148	821	–	–	114,969
Amounts due from joint ventures	17	–	–	–	17
Amount due from a related party	24,364	–	–	–	24,364
Amounts due from fellow subsidiaries	–	79	(79)	–	–
Loans to joint ventures	24,209	–	–	–	24,209
Financial assets at fair value through profit or loss	519	–	–	–	519
Taxation recoverable	10,394	–	–	–	10,394
Bank balances and cash	869,514	6,525	(742,476)	(10,983)	122,580
	1,655,639	7,425	(742,555)	(10,983)	909,526

	The Group as at 31 March 2019	The Target Company as at 30 June 2019	Pro Forma Adjustments		Unaudited pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)			
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current liabilities					
Trade and other payables	772,165	2,631	–	–	774,796
Amounts due to fellow subsidiaries	–	104	(104)	–	–
Provisions	87,637	–	–	–	87,637
Taxation payable	66,813	39	–	–	66,852
Bank loans	351,000	–	–	–	351,000
	1,277,615	2,774	(104)	–	1,280,285
Net current assets (liabilities)	378,024	4,651	(742,451)	(10,983)	(370,759)
Total assets less current liabilities	3,992,099	149,025	(149,025)	(2,075)	3,990,024
Non-current liabilities					
Provisions	200,299	–	–	–	200,299
Bank loans	–	160,000	(160,000)	–	–
Deferred tax liabilities	12,356	–	–	–	12,356
	212,655	160,000	(160,000)	–	212,655
Net assets	3,779,444	(10,975)	10,975	(2,075)	3,777,369

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 Company as at 30 June 2019 are extracted from the accountants' report on historical financial information of the Target Company for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and for the six months period ended 30 June 2019 as set out in Appendix II to this Circular.

3. On 11 October 2019, Oriental Effort Limited, an indirect wholly owned subsidiary of the Company, entered into the SPA with Citadines Mercer (Hong Kong) Pte. Ltd. as the Seller in relation to the acquisition of the entire issued and paid-up share capital and the shareholder loan of the Target Company, at the Offer Price of HK$740,800,000 minus Air-Conditioning Price Adjustment Amount of HK$3,000,000, subject to upward or downward adjustments. Pursuant to the SPA, the consideration should be adjusted upward or downward for the positive or negative Adjusted NCAV Amount (representing all current assets (other than the insurance proceeds recovered in respect of claims relating to the Property, if any) minus all current liabilities (excluding Shareholder Loan Amount, if any) of the Target Company at the Completion Date. Therefore, for the purpose of the Unaudited Pro Forma Financial Information, the consideration of approximately HK$742,476,000 comprises of (i) the Offer Price of HK$740,800,000 minus Air-conditioning Price Adjustment Amount of HK$3,000,000 and (ii) positive Adjusted NCAV Amount of the Target Company as at 30 June 2019 of approximately HK$4,676,000.

   Analysis of Adjusted NCAV Amount of the Target Company as at 30 June 2019:

	HK$'000
Debtors, deposits and prepayments	821
Bank balances and cash	6,525
Trade and other payables	(2,631)
Taxation payable	(39)
	4,676

   The bank loans of the Target Company should be repaid by the Group out of the consideration payable at the request of the Seller upon Completion and the shareholder loan of the Target Company should be assigned to the Group upon Completion pursuant to the SPA. In addition, all intra-group balances of the Target Company will be settled upon Completion. Accordingly, for the purpose of the Unaudited Pro Forma Financial Information, the bank loans and all intra-group balances of the Target Company as at 30 June 2019 are eliminated.

The Acquisition of the Target Company will be accounted for as acquisition of assets and liabilities of the Target Company by the Group as substantially all of the fair value of the gross assets acquired is concentrated in the Property held by the Target Company. Property, plant and equipment are adjusted by HK$593,426,000, which represented the difference between the Offer Price of HK$740,800,000 minus Air-conditioning Price Adjustment Amount of HK$3,000,000, and the carrying amount of acquired property, plant and equipment and deferred tax asset amounting to HK$144,012,000 and HK$362,000, respectively.

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

4. The adjustment represents acquisition-related costs (including professional fees to legal adviser, financial adviser, reporting accountants, properties valuer, agency commission and other expenses) of approximately HK$10,983,000, of which agency commission and professional fees amounting of HK$8,908,000 are capitalised and included in property, plant and equipment.

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

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 III-1 to III-5 of the circular issued by the Company dated 25 November 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 III-1 to III-5 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 Excel Chinese International Limited 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 November 2019

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

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

Business Review

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is (i) principally engaged in the serviced residence and hotel business operated at the Property in the name "Citadines Mercer Hong Kong"; and (ii) holds the Property located at No. 29 Jervois Street, Hong Kong.

Revenue

Revenue of the Target Company 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)
Hotel room revenue, food and beverage	25,837	27,069	30,005
Management fee income	5,121	6,190	6,168
Rental income	1,145	1,159	1,166
	32,103	34,418	37,339

For the three years ended 31 December 2016, 2017 and 2018, revenue of the Target Company increased from HK$32,103,000 in 2016 to HK$37,339,000 in 2018.

Finance Costs

Finance costs represents interest expenses payable to a bank for the years ended 31 December 2016, 2017 and 2018, which were HK$4,169,000, HK$4,644,000 and HK$5,575,000, respectively.

Liquidity and Financial Resources

The Target Company generally finances its operations with the initial funding from bank loans and cash flows generated internally and its operating activities. As at 31 December 2016, 2017 and 2018, the Target Company had net current assets of HK$10,660,000, HK$2,956,000 and HK$3,603,000, respectively. The decrease in net current assets was primarily due to decrease in amounts due from fellow subsidiaries.

Capital Structure

The bank loan was secured, repayable on demand and interest-bearing and was HK$178,000,000, HK$165,000,000 and HK$160,000,000 as at 31 December 2016, 2017 and 2018 respectively which bore interest at HIBOR plus 1.8% per annum for the financial years ended 31 December 2016, 2017 and 2018.

Gearing Ratio

The gearing ratio of the Target Company, which is equal to the total liabilities over total assets as at 31 December 2016, 2017 and 2018, was approximately 101.9%, 103.7% and 105.3% respectively.

Foreign Currency Risks

The Target Company had no significant exposure to foreign currency risk as substantially all of the Target Company's transactions were denominated in Hong Kong dollars.

Capital Commitment

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

Charge of Assets

As at 31 December 2016, 2017 and 2018, the property, plant and equipment of the Target Company were pledged to secure the bank facilities.

The Target Company has utilised the bank facilities to repay the shareholder loan and as general working capital.

Contingent Liabilities

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

Significant Investments, Acquisitions or Disposals

The Target Company 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

Total costs of all the employees of the Target Company for the three years ended 31 December 2016, 2017 and 2018 were approximately HK$14,348,000, HK$14,281,000 and HK$16,029,000, respectively.

The following is the text of a letter and valuation particulars, prepared for inclusion in this circular, received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 30 September 2019 of the Property.

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

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

25 November 2019

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

Dear Sir/Madam,

Re: Valuation of Citadines Mercer, 29 Jervois Street, Sheung Wan, Hong Kong (the "Property")

INSTRUCTIONS, PURPOSE AND VALUATION DATE

In accordance with the instructions for us to value the Property in which Hanison Construction Holdings Limited (the "Client") and its subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong, we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the Market Value of the leasehold interests of the Property in its existing state, as at 30 September 2019 (the "Valuation Date") for public disclosure purposes.

We hereby confirm that:

- We have no present or prospective interest in the Property and are not a related corporation of nor have a relationship with the Client.
- We are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.
- The valuation has been prepared on a fair and unbiased basis.

VALUATION BASIS

Our valuation of the Property represents the Market Value, which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION STANDARDS

The valuation is carried out in accordance with "The HKIS Valuation Standards (2017 Edition)" published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION RATIONALE

In the course of our valuation, we have adopted the Market Approach.

The Market Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysing such sales, which qualify as 'arm's-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available.

TITLE INVESTIGATIONS

We have not been provided with extracts from title documents relating to the Property but have conducted searches at the Land Registry. We have not had access to the original documents to verify ownership, nor to ascertain the existence of any amendments which may not appear in our searches.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Client on such matters as tenancy schedules, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Client that no material factors or information have been omitted or withheld and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct.

SITE INSPECTION

We have inspected the exterior of the Property. Our inspection of the Property was carried out by Stella Ho, on 20 November 2019. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Our valuation has been prepared on the assumption that these aspects are satisfactory.

We are unaware of any adverse ground conditions affecting the Properties and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future developments. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the development period. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

CAVEATS AND ASSUMPTIONS

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

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

As the Property is held under long term government lease, we have assumed that the owner has free and uninterrupted rights to use the Property for the whole of the unexpired terms of the lease.

In addition, we have made the following assumptions:

- All information on the Property provided by the Client is correct.
- Proper ownership titles of and relevant planning approvals for the Property have been obtained, all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- The Property has been fully developed, and is occupied and used in full compliance with, and without contravention of, all ordinances and regulations except only where otherwise stated.

CURRENCY

All monetary figures stated in this report are in Hong Kong Dollars ("HKD").

Our valuation of the Property is set out in the Valuation Particulars attached hereto, which together with this covering letter, form our valuation report.

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

Stella Ho
MSc BSSc (Hons) MRICS MHKIS RPS (GP) MCIREA
Senior Director
Valuation & Advisory Services

Note: Stella Ho is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region ("Hong Kong"). She is suitably qualified to carry out the valuation and has over 18 years' experience in the valuation of properties of this magnitude and nature.

VALUATION PARTICULARS

Property Interests held for investment by the Client in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value of Property as at 30 September 2019
Citadines Mercer, 29 Jervois Street, Sheung Wan, Hong Kong (the "Property") All undivided shares of Section A of Inland Lot No. 871, Section A of Inland Lot No. 872, and Marine Lot No. 9B (the "Lots")	The Property comprises the whole of the Lots with a total site area of about 2,529.52 sq ft (235 sq m) according to the approved building plans. Erected on the Lots is a 28-storey serviced residence building known as Citadines Mercer Hong Kong. As per the Occupation Permit issued by the Building Authority, the Property was completed in 2010. According to the approved building plans, the total gross floor area of the Property is approximately 37,933 sq ft (3,524.069 sq m). The Property has a total of 55 guestrooms. The Lots are held under Government Lease for a term of 999 years. Section A of Inland Lot No. 871 and Section A of Inland Lot No. 872 commences from 26 June 1843, while Marine Lot No. 9B commences from 15 January 1852. The payable government rent is HKD12.60 per annum for Section A of Inland Lot No. 871; HKD21.54 for Inland Lot No. 872; and 5 Pounds, 12 Shillings, 4 Pence per annum for Marine Lot No. 9B.	As advised by the Client, the monthly rental income was approximately HKD2.47 million as at the valuation date. As advised by the client, the occupancy rate of the Property is 90%.	HKD740,800,000 (Hong Kong Dollars Seven Hundred and Forty Million Eight Hundred Thousand Only)

Notes:

1. The registered owner of the Property is Excel Chinese International Limited dated 24 September 2007, registered vide Assignment No. 07101202950783.

2. As at the valuation date, the Property is subject to the following encumbrances:

   - Modification Letter dated 2 June 2006, registered vide Memorial No. 06062201600017;

   - Debenture and Mortgage in favor of Oversea-Chinese Banking Corporation Limited dated 19 January 2015, registered vide Memorial No. 15021202500140.

3. The Lots are held under Government Leases. The salient conditions are modified as per the Modification Letter dated 2 June 2006, registered vide Memorial No. 06062201600017: -

   - "AND FURTHER that the said Lessees their Executors, Administrators or Assigns, or any other person or persons, shall not nor will, during the continuance of this demise, use, exercise or follow, in or upon the said premises or any part thereof, the trade or business of a Brazier, Slaughterman, Soap-maker, Fellmonger, Melter of tallow, Distiller, Blacksmith, Nightman, Scavenger or any other noisy, noisome or offensive trade or business whatever, without the previous licence of the Director of Lands;"

   - "AND FURTHER that if the said piece or parcel of ground and premises hereby expressed to be demised is developed, redeveloped or used at any time solely for the purpose of a hotel or hotels, the said Lessees their Executors, Administrators or Assigns shall not, throughout the term hereby granted, assign, mortgage, charge, part with the possession of or otherwise dispose of the said piece or parcel of ground and premises hereby expressed to be demised or any part thereof or any building or any interest therein or part of any building thereon or enter into any agreement so to do except as a whole AND ALSO that if a part or parts of the said piece or parcel of ground and premises hereby expressed to be demised or any building or buildings erected thereon are developed, redeveloped or used at any time for the purpose of a hotel or hotels, the said Lessees their Executors, Administrators or Assigns shall delineate in a manner acceptable to the Director of Lands (hereinafter referred to as "the Director") the hotel portion or portions including such accommodation and facilities as the Director may consider appropriate together with such parking, loading, unloading and other spaces as the Director may consider appropriate and shall not alter the agreed delineation without the prior written approval of the Director (which portion or portions of the said piece or parcel of ground and premises hereby expressed to be demised delineated as aforesaid are hereinafter referred to as "the Hotel Portion") AND that the said Lessees their Executors, Administrators or Assigns shall not, throughout the term hereby granted, assign, mortgage, charge, part with the possession of or otherwise dispose of the Hotel Portion or any part thereof or any building or any interest therein or part of any building thereon or enter into any agreement so to do except as a whole AND IT IS HEREBY FURTHER AGREED AND DECLARED that the restriction on alienation of the hotel or hotels or the Hotel Portion hereinbefore stipulated shall not apply to an underletting of the said piece of ground and premises hereby expressed to be demised or any part thereof."

4. The Property falls within an area zoned "Commercial" under the Draft Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/33 gazetted on 9 August 2019.

5. The Property is located in Sheung Wan, which is predominantly a commercial area. The accessibility of the Property is good. The Property is located within 2 minutes walking distance to Sheung Wan MTR Station. Buses, mini buses, and trams are available within proximity to the Property.

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 of the Company, 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 of the Company held	Total number of ordinary shares of the Company held	Approximate percentage of issued share capital *(Note 6)*
Cha Mou Sing, Payson	Beneficial owner	26,537,925		
	Interest of controlled corporations	21,247,502 *(Note 1)*		
	Beneficiary of discretionary trusts	531,981,820 *(Note 2)*	579,767,247	53.14%
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 of the Company held	Total number of ordinary shares of the Company 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 of the Company are held by Accomplished Investments Limited and Kola Heights Limited, companies that are wholly owned by Mr. Cha Mou Sing, Payson.

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

(5) These shares of the Company 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 of the Company).

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

Name	Date of grant	Exercise price per share	Exercise period	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of issued share capital *(Note)*
Cha Mou Sing, Payson	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	10,909,000	0.99%
Wong Sue Toa, Stewart	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	10,909,000	0.99%
Tai Sai Ho	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	5,454,000	0.49%
Lo Kai Cheong	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	3,272,000	0.29%
Cha Mou Daid, Johnson	5.9.2017	HK$1.54	5.9.2017 to 4.9.2022	5,192,000	0.47%
	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	5,454,000	0.49%
Zhang Wei	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	100,000	0.01%
Chan Pak Joe	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	1,090,000	0.09%
Lau Tze Yiu, Peter	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	905,000	0.08%
Sun Tai Lun	18.10.2019	HK$1.16	18.10.2019 to 17.10.2024	1,090,000	0.09%

Note:

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

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 of the Company, 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 of the Company 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 of the Company 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 of the Company directly held by CCM Trust and 104,243,301 shares of the Company 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 of the Company 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 of the Company directly held by Mingly and 78,866,272 shares of the Company and 21,644,101 shares of the Company 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 of the Company directly held by LBJ and 6,806,640 shares of the Company held indirectly through Bie Ju Enterprises Limited, its wholly owned subsidiary. LBJ is holding the 61,022,931 shares of the Company 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 of the Company).

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

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

Notes:

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

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
KPMG	Certified Public Accountants, Hong Kong
Colliers International (Hong Kong) Limited	An independent professional property valuer

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

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

(b) any interest, direct or indirect, in any assets which have been, since 31 March 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 US$2 (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 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 ("**General Mark Disposal**") and the related shareholder's loan at an aggregate consideration of HK$420,000,000. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 15 July 2019;

(o) the sale and purchase agreement dated 16 July 2019 relating to the acquisition of the entire issued shares of Storage Portfolio Holding II Ltd and the shareholder loan by Excellent Sincere Limited, a subsidiary of the Company, from Storage Portfolio Holding Ltd ("**Storage Portfolio Acquisition**"), at a cash consideration of HK$735,000,000 plus the net asset value of certain agreed balance sheet items in the final closing accounts. The major assets of Storage Portfolio Holding II Ltd comprise the Minibox Tower, No. 18 Lee Chung Street, Chai Wan, Hong Kong, certain flats and car parking spaces at Chaiwan Industrial Centre, No. 20 Lee Chung Street, Chai Wan, Hong Kong and certain flats and car parking spaces at the Kwun Tong Industrial Centre, Nos. 436-484 Kwun Tong Road, Kowloon, Hong Kong. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 16 July 2019;

(p) the sale and purchase agreement dated 16 August 2019 entered into between Victorious Troops Limited (a joint venture owned by an indirect wholly owned subsidiary of the Company and a joint venture partner) as vendor, Goodway Asia Limited as purchaser, the ultimate legal and beneficial owner of the purchaser as purchaser covenantor, Hanison BVI as Vendor Guarantor I (as defined in the circular) and China Life Frontier Private Investment Fund L.P. as Vendor Guarantor II (as defined in the circular) relating to the disposal of the entire issued share capital of Popular Castle Limited and the shareholder loan by Victorious Troops Limited at a consideration of HK$1,080,000,000 and the consolidated net asset value as shown in the completion accounts. The major assets of the joint venture comprise certain godowns, workshops, main roof and car parking spaces of the building "CENTRAL INDUSTRIAL BUILDING (中央工業大廈)" located at 57-61 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 16 August 2019; and

(q) the SPA.

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 Company from KPMG 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 Colliers International (Hong Kong) Limited, the text of which is set out in Appendix V to this circular;

(f) the written consents referred to in the section 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;

(k) the circular issued by the Company dated 25 September 2019 in relation to the Storage Portfolio Acquisition;

(l) the circular issued by the Company dated 25 September 2019 in relation to the provision of guarantee of the joint venture; and

(m) 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, 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.