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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00896)

**MAJOR TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE SHARE CAPITAL IN
AND SHAREHOLDER'S LOAN TO
BILLION MART DEVELOPMENT LIMITED**

25 September 2015

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DEFINITIONS

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

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| “Acquisition” | the acquisition of the Sale Shares and the Sale Loan by the Purchaser pursuant to the Sale and Purchase Agreement; |
| “Board” | the board of Directors; |
| “Company” | Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange (stock code: 00896); |
| “Completion” | completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement; |
| “Completion Accounts” | the audited statement of comprehensive income of the Target Company for the period from 31 December 2014 to the Completion Date and the audited statement of financial position of the Target Company as at the Completion Date; |
| “Completion Date” | the date of Completion, being 22 October 2015 or such other date as the parties may agree in writing on which the Completion takes place; |
| “Conditions” | the conditions precedent to Completion; |
| “connected persons” | has the meaning as ascribed to it under the Listing Rules; |
| “Deed of Assignment” | the deed of assignment in respect of the Sale Loan to be entered into by Vendor B, the Purchaser and the Target Company upon Completion; |
| “Deposits” | collectively, the Initial Deposit and the Further Deposit; |
| “Directors” | the directors of the Company; |
| “Enlarged Group” | the Group and the Target Company upon Completion; |

DEFINITIONS

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| “Further Deposit” | the sum of HK\$49,800,000 paid by the Purchaser to the Purchaser’s solicitors as stakeholder upon the signing of the Sale and Purchase Agreement; |
| “Group” | the Company and its subsidiaries; |
| “Guarantor” | Mr. Kong Tak Ho, being one of the Vendors; |
| “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; |
| “HKRI” | HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange (stock code: 00480); |
| “Initial Deposit” | the sum of HK\$50,000,000 paid by the Purchaser to the Purchaser’s solicitors as stakeholder on 24 July 2015; |
| “Latest Practicable Date” | 21 September 2015, being the latest practicable date for the purpose of ascertaining certain information contained herein; |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange; |
| “Management Accounts” | the unaudited statement of comprehensive income of the Target Company for the period from 31 December 2014 through until 30 June 2015 and the unaudited statement of financial position of the Target Company as at 30 June 2015; |
| “MOU” | the memorandum of understanding dated 24 July 2015 entered into among the Purchaser and the Vendors relating to the Acquisition; |

DEFINITIONS

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| “Net Current Asset Value” | the total current assets of the Target Company minus the total current liabilities of the Target Company (other than the Sale Loan) to be determined with reference to the Management Accounts or the Completion Accounts (as the case may be); |
| “Pre-Adjustment Purchase Price” | initial consideration of HK\$993,304,000, representing HK\$998,000,000 adjusted by the amount of Net Current Asset Value of the Target Company as at 30 June 2015, subject to the Purchase Price Adjustments and as defined in the paragraph headed “Purchase Price” in the Letter from the Board; |
| “Property” | all that piece or parcel of ground registered in the Land Registry as New Kowloon Inland Lot No.1761 together with the messuages, erections and buildings thereon (if any) now known as “Park Building”, No. 476 Castle Peak Road, Cheung Sha Wan, Kowloon; |
| “Purchase Price” | the consideration payable by the Purchaser to the Vendors for the Sale Shares and the Sale Loan under the Sale and Purchase Agreement; |
| “Purchase Price Adjustments” | the adjustments to be made to the Purchase Price in the manner as set out under the paragraph headed “Adjustments to the Purchase Price” in the Letter from the Board; |
| “Purchaser” | Nimble Run Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company; |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 8 September 2015 entered into among the Purchaser and the Vendors relating to the Acquisition; |
| “Sale Loan” | the loan owing by the Target Company to Vendor B as at Completion; |

DEFINITIONS

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| “Sale Loan Consideration” | the consideration payable by the Purchaser to Vendor B for the benefit of the Sale Loan; |
| “Sale Shares” | such number of shares in the Target Company representing the entire issued and paid up share capital of the Target Company; |
| “Sale Shares Consideration” | the consideration payable by the Purchaser to the Vendors for the Sale Shares; |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “Shareholders” | holders of shares in the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Target Company” | Billion Mart Development Limited, a company incorporated in Hong Kong with limited liability and the sole legal and beneficial owner of the Property; |
| “Tax Deed” | the tax deed to be entered into by Vendor A, Vendor B, the Purchaser and the Target Company upon Completion; |
| “Vendor A” | Mr. Kong Tak Ho, a natural person; |
| “Vendor B” | Lai Tak Holdings Limited, a company incorporated in the British Virgin Islands with limited liability; |
| “Vendors” | Vendor A and Vendor B; |
| “Warranties” | the representations, warranties and undertakings given by the Vendors under the Sale and Purchase Agreement; and |
| “%” | per cent. |

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00896)

Directors:

Mr. Cha Mou Sing, Payson (*Chairman*)*
Mr. Wong Sue Toa, Stewart (*Managing Director*)
Mr. Tai Sai Ho (*General Manager*)
Mr. Cha Mou Daid, Johnson*
Mr. Chan Pak Joe**
Dr. Lam Chat Yu*
Dr. Lau Tze Yiu Peter**
Dr. Sun Tai Lun**

* *Non-executive Directors*

** *Independent Non-executive Directors*

Registered Office:

P.O. Box 309, Uglund House
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business

in Hong Kong:

Unit 1, 4/F., Block B
Shatin Industrial Centre
5-7 Yuen Shun Circuit
Shatin, New Territories
Hong Kong

25 September 2015

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE SHARE CAPITAL IN
AND SHAREHOLDER'S LOAN TO
BILLION MART DEVELOPMENT LIMITED**

INTRODUCTION

References were made to the joint announcements made by the Company and HKRI dated 27 July 2015 regarding the MOU and dated 8 September 2015 in relation to the Sale and Purchase Agreement, respectively. On 8 September 2015 (after the trading hours of the Stock Exchange), the Purchaser entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition, superseding the MOU.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Sale and Purchase Agreement and the Acquisition.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Parties

- (1) Vendor A : Mr. Kong Tak Ho
- (2) Vendor B : Lai Tak Holdings Limited
- (3) Purchaser : Nimble Run Limited

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, each of the Vendors and the ultimate beneficial owner(s) of Vendor B are third parties independent of and not connected with the Company and its connected persons.

Subject Matter

Pursuant to the Sale and Purchase Agreement, (i) the Vendors conditionally agreed to sell the Sale Shares representing the entire issued share capital of the Target Company and to assign the Sale Loan; (ii) the Purchaser conditionally agreed to purchase the Sale Shares and to accept the assignment of the Sale Loan; and (iii) the Guarantor agreed to guarantee the performance of all the obligations of Vendor B under the Sale and Purchase Agreement and other documents referred to therein.

The Target Company owns the entire interest in the Property known as “Park Building”, which is located at No. 476 Castle Peak Road, Cheung Sha Wan, Kowloon.

The parties shall not be obliged to complete the sale and purchase of any of the Sale Shares or the assignment of the Sale Loan unless the sale and purchase of all the Sale Shares and the assignment of the Sale Loan are completed simultaneously.

LETTER FROM THE BOARD

Purchase Price

Subject to the Purchase Price Adjustments (as defined below), the Purchase Price payable on Completion shall be HK\$993,304,000, equivalent to the amount computed in accordance with the following (such computed amount shall be referred to as the “**Pre-Adjustment Purchase Price**”):

- (a) an amount equal to HK\$998,000,000; and
- (b) minus HK\$4,696,000, being the approximate amount of the Net Current Asset Value of the Target Company as set out in the Management Accounts.

The Sale Loan Consideration shall be an amount equal to the amount of the Sale Loan on the Completion Date on a dollar-for-dollar basis and the Sale Shares Consideration shall be an amount equal to the balance of the Purchase Price after deducting the amount of the Sale Loan Consideration. As at 30 June 2015, the unaudited outstanding amount of the Sale Loan was approximately HK\$537,000,000.

The Purchase Price was paid and shall be paid in the following manner:

- (a) a sum of HK\$50,000,000 being the Initial Deposit has been paid by the Purchaser on 24 July 2015 to the Purchaser’s solicitors as stakeholder upon signing of the MOU and the said amount has been transferred to the Vendors’ solicitors upon the signing of the Sale and Purchase Agreement;
- (b) a sum of HK\$49,800,000 (which together with the Initial Deposit is equivalent to 10% of the said sum of HK\$998,000,000) being the Further Deposit and part payment of the Purchase Price has been paid to the Purchaser’s solicitors as stakeholder upon the signing of the Sale and Purchase Agreement; and
- (c) a sum equal to the balance of the Pre-Adjustment Purchase Price after deducting the Deposits shall be paid by the Purchaser to the Vendors upon Completion in accordance with the terms of the Sale and Purchase Agreement.

The Purchase Price was determined based on arm’s length negotiations between the Vendors and the Purchaser with reference to the sales and rental transactions in the market for similar properties in the vicinity. The Purchase Price will be settled partly by bank loans and partly from internal resources of the Company.

LETTER FROM THE BOARD

Adjustments to the Purchase Price

The Purchase Price shall be subject to the following adjustments (“**Purchase Price Adjustments**”) following agreement or determination of the Completion Accounts:

- (i) there shall be added to the Pre-Adjustment Purchase Price the amount (if any) by which the Net Current Asset Value (determined by reference to the Completion Accounts) is more than (i.e. less negative or more positive than) minus approximately HK\$4,696,000; and
- (ii) there shall be deducted from the Pre-Adjustment Purchase Price the amount (if any) by which the Net Current Asset Value (determined by reference to the Completion Accounts) is less than (i.e. more negative than) minus approximately HK\$4,696,000.

Within 5 business days after agreement or determination of the Completion Accounts in accordance with the terms of the Sale and Purchase Agreement:

- (i) if the Pre-Adjustment Purchase Price is increased following the Purchase Price Adjustments, the Purchaser shall pay to the Vendors’ solicitors the amount of the increase; and
- (ii) if the Pre-Adjustment Purchase Price is reduced following the Purchase Price Adjustments, the Vendors shall pay to the Purchaser the amount of the reduction.

Conditions

Completion is conditional upon the following Conditions being satisfied (or where applicable, waived) on or before the Completion Date:

- (a) the Target Company being able to show and give a good title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (b) the Vendors having satisfied the Purchaser that the Target Company is the sole legal and beneficial owner of the Property free from any encumbrances (other than those which shall be released and discharged with effect from the Completion Date);

LETTER FROM THE BOARD

- (c) the Target Company receiving all relevant consents and approvals from third parties as may be necessary in connection with the proposed change in shareholding of the Target Company so as to ensure that the Target Company maintains all its existing material contractual and other rights following the transfer of the Sale Shares;
- (d) no material adverse change having occurred before or on the date on which Completion would otherwise have taken place if it were not for this Condition;
- (e) the Warranties remaining true, accurate and not misleading in all respects before and on the date on which Completion would otherwise have taken place if it were not for this Condition; and
- (f) approval having been obtained from the shareholders of the Company in general meeting for, or written consents having been obtained from Great Wisdom Holdings Limited, HKRI and CCM Trust (Cayman) Limited as a closely allied group holding in aggregate more than 50% of the voting rights in the issued share capital of the Company to approve, the Sale and Purchase Agreement, the transactions contemplated thereunder and the performance of the Purchaser's obligations thereunder as permitted under the Listing Rules.

Each of the Vendors shall use all reasonable endeavours (so far as it lies within his/its powers) to procure the satisfaction of the Conditions (a) to (e) above as soon as reasonably practicable and in any event before the Completion Date.

The Purchaser may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the Conditions (a) to (e) above on such terms as it may decide.

As at the Latest Practicable Date, Condition (f) has been satisfied.

If any of the Conditions (which has not previously been waived by the Purchaser in accordance with the terms of the Sale and Purchase Agreement) has not been duly fulfilled on or before the Completion Date then the Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendors:

- (a) waive the Conditions which have not been satisfied;
- (b) postpone the Completion Date to a date (being a business day) on or before 26 October 2015; or
- (c) terminate the Sale and Purchase Agreement.

LETTER FROM THE BOARD

Guarantee

The Guarantor has agreed to guarantee the performance by Vendor B of its obligations under the Sale and Purchase Agreement and other documents referred to therein, including the Deed of Assignment and the Tax Deed.

Completion

Subject to fulfilment (or where applicable, waiver) of the Conditions, Completion shall take place on or before 22 October 2015 or such other date as the parties may agree in writing.

Termination

Subject to the terms of the Sale and Purchase Agreement, if either the Purchaser or the Vendors elect(s) to terminate the Sale and Purchase Agreement in accordance with its terms, then all rights and obligations of the parties shall cease immediately upon termination subject to, among other things, the following:

- (a) if the Purchaser elects to terminate the Sale and Purchase Agreement in accordance with its terms for, among other reasons, the reason that (i) any of the Conditions has not been duly fulfilled on or before the Completion Date or (ii) the Purchaser considers that a Warranty has been breached, is untrue or misleading or that a Vendor has breached any other term of the Sale and Purchase Agreement that, in either case, is material to the sale of the Sale Shares, then all Deposits paid by the Purchaser shall be returned to the Purchaser without any interest or cost; and
- (b) if the Vendors elect to terminate the Sale and Purchase Agreement in accordance with its terms for the reason that the Purchaser is unable or unwilling to comply with its obligations in relation to Completion under the Sale and Purchase Agreement, then the Deposits shall be forfeited to the Vendors without any interest or cost as liquidated damages on the Completion Date.

LETTER FROM THE BOARD

DEED OF ASSIGNMENT

The Deed of Assignment will be entered into by the parties upon Completion.

Parties:

- (a) Vendor B (as assignor)
- (b) Purchaser (as assignee)
- (c) Target Company (consenting the assignment)

Principal terms of the Deed of Assignment:

Pursuant to the Deed of Assignment (if entered into), Vendor B, as the respective legal and beneficial owner, shall assign to the Purchaser all rights, title, benefits and interests in and to the Sale Loan, which will represent all then outstanding indebtedness due and owing to Vendor B by Target Company.

TAX DEED

The Tax Deed will be entered into by the parties upon Completion.

Parties:

- (a) Vendor A (as covenantor)
- (b) Vendor B (as covenantor)
- (c) Purchaser (as beneficiary)
- (d) Target Company (as beneficiary)

Principal terms of the Tax Deed:

Pursuant to the Tax Deed (if entered into), the Vendors will jointly and severally undertake to indemnify the Purchaser and Target Company against any claim for liability to taxation that relates to certain matters arising up to the Completion Date.

LETTER FROM THE BOARD

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company is the sole legal and beneficial owner of the Property and its sole investment is the ownership of the Property. The Property is a 23-storey commercial building known as “Park Building” located at No. 476 Castle Peak Road, Cheung Sha Wan, Kowloon with an aggregate gross floor area of approximately 145,300 square feet. The Property is currently being leased out and the Target Company will be sold to the Purchaser subject to existing tenancies of the Property.

Set out below is the audited financial information of the Target Company for the years ended 31 December 2013 and 2014, as extracted from the audited financial statements of the Target Company set out in Appendix II:

| | For the year ended 31 December | |
|--|---------------------------------------|-----------------|
| | 2014 | 2013 |
| | HK\$ | HK\$ |
| | (approximately) | (approximately) |
| Net profit before taxation and extraordinary items | 190,171,000 | 74,516,000 |
| Net profit after taxation and extraordinary items | 189,082,000 | 73,427,000 |

The audited net asset value of the Target Company as at 31 December 2014, as extracted from the accountants’ report on financial information of the Target Company set out in Appendix II, was approximately HK\$399,027,000.

The above net profit before taxation and extraordinary items for the financial years ended 31 December 2013 and 2014 and net asset value as at 31 December 2014 of the Target Company (as extracted from the accountants’ report on financial information of the Target Company set out in Appendix II) are different from those set out in the joint announcement made by the Company and HKRI dated 8 September 2015 (which are extracted from the statutory accounts audited by the Target Company’s auditors). It is mainly because of the adoption of different accounting policies by the Company and the Target Company in relation to investment property and deferred tax for the relevant period(s). In particular, the gain on change in fair value of investment properties is recorded in the statement of profit or loss as set out in Appendix II and no such amount is recorded in the statement of profit or loss in statutory account of Target Company.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated in the accounts of the Company.

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY

The Company is an investment holding company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange. The Company and 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.

INFORMATION OF THE VENDORS

Vendor A

Mr. Kong Tak Ho is a natural person and a shareholder of the Target Company.

Vendor B

Lai Tak Holdings Limited is an investment holding company incorporated in the British Virgin Islands with limited liability and it is a shareholder of the Target Company. To the best knowledge and information of the Directors, Mr. Kong Tak Ho is a director as well as a shareholder of Lai Tak Holdings Limited in which he is interested in about 99% of the issued share capital.

INFORMATION OF THE PURCHASER

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

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

As set out in the section headed “Information of the Target Company and the Property”, the Property will be sold to the Purchaser subject to, and with the benefit of, existing tenancies of the Property. The latest monthly rental of such tenancies is approximately HK\$2,300,000 (exclusive of management fee, government rent and rates). Upon Completion, the Company will enjoy rental income from the Property which will have a positive effect on the earnings of the Company.

Assets and liabilities

Upon Completion, the total assets and total liabilities of the Company are expected to decrease by approximately HK\$471,000 and increase by approximately HK\$15,841,000 respectively immediately after Completion, due to the consolidation of the Target Company.

LETTER FROM THE BOARD

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 Schedule III to this circular.

REASONS FOR AND BENEFITS DERIVED FROM THE ACQUISITION

The Directors undertake strategic reviews of its assets from time to time with a view to maximising returns to the Shareholders. The Directors consider that the Property is located at a very good location with proximity to mass transit railway stations and the Acquisition is a valuable investment opportunity for the Company. The Company will enjoy rental income derived from the Property. Accordingly, the Directors believe that the Acquisition will enable the Company to strengthen and enhance the investment property portfolio.

The Board considers that the Acquisition and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) for the Acquisition exceed 25% but all are less than 100% for the Company, the Acquisition constitutes a major transaction of 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 Great Wisdom Holdings Limited, HKRI and CCM Trust (Cayman) Limited, which were beneficially interested in 159,709,037, 168,784,720 and 129,353,241 shares of the Company respectively, representing approximately an aggregate of 67.56% of the entire issued capital of the Company as at the Latest Practicable Date. Great Wisdom Holdings Limited is a wholly-owned subsidiary of HKRI and HKRI is owned as to approximately 41.48% by CCM Trust (Cayman) Limited. Accordingly, Great Wisdom Holdings Limited, HKRI and CCM Trust (Cayman) Limited are a closely allied group of shareholders of the Company.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and is required to abstain from voting if the Company were 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 as permitted under Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for the three years ended 31 March 2013, 2014 and 2015 are disclosed in the annual reports of the Company dated 25 June 2013 (pages 102-230), 24 June 2014 (pages 104-241) and 23 June 2015 (pages 108-241), respectively, which can be accessed on the website of the Company (www.hanison.com.hk) and the website of the Stock Exchange (www.hkexnews.hk).

2. WORKING CAPITAL

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

3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 July 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had (i) bank loans of approximately HK\$384,500,000 of which (a) bank loans of HK\$94,500,000 were secured by certain leasehold land and buildings and investment properties and guaranteed by the Company's subsidiaries; and (b) bank loans of HK\$290,000,000 were unsecured and guaranteed by the Company's subsidiaries; and (ii) other long-term payable of approximately HK\$14,253,000, which was unsecured and unguaranteed. In addition, the Target Company had amount due to its ultimate holding company of approximately HK\$535,820,000 which was unsecured and unguaranteed as at 31 July 2015.

As at 31 July 2015, the Group had pledged (i) investment properties with a total carrying amount of HK\$339,824,000; and (ii) certain leasehold land and buildings with a total carrying amount of HK\$22,975,000 to secure banking facilities granted to the Group. In addition, the Group had pledged bank deposits of HK\$83,789,000 to secure the bank loan borrowed by a joint venture as at 31 July 2015. The Target Company had pledged investment properties with a total carrying amount of HK\$1,000,000,000 to secure banking facility granted to the fellow subsidiaries of the Target Company.

As at 31 July 2015, the Group has provided a corporate guarantee to a bank to secure banking facilities granted to a joint venture of approximately HK\$29,601,000, which represents the Group's proportionate share of the banking facilities utilised by the joint venture as at 31 July 2015.

As at 31 July 2015, the Group is the defendant of the following legal cases, in which the Directors are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained.

During the year ended 31 March 2004, legal actions in respect of allegations of copyright infringement and defamation were taken against certain subsidiaries of the Company carrying on its health products business. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements took place in 2004. As at 31 July 2015, the litigation is still ongoing and there is no further update to the case.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group and the Target Company did not have outstanding at the close of business on 31 July 2015 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 other contingent liabilities.

4. MATERIAL 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 2015, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group has been pursuing business opportunities to diversify 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.

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

25 September 2015

The Directors

Hanison Construction Holdings Limited

Dear Sirs/Madam,

We set out below our report on the financial information relating to Billion Mart Development Limited (“Billion Mart”) for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the “Relevant Periods”) (the “Financial Information”) for inclusion in the circular issued by Hanison Construction Holdings Limited (the “Company”) dated 25 September 2015 (the “Circular”) in connection with the acquisition of the entire share capital in and shareholder’s loan to Billion Mart by Nimble Run Limited, an indirect wholly-owned subsidiary of the Company.

Billion Mart was a limited company incorporated in Hong Kong on 4 January 1998. Billion Mart is engaged in property investment and it adopts 31 December as the financial year end date.

The statutory financial statements of Billion Mart for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The statutory financial statements of Billion Mart for the years ended 31 December 2012, 2013 and 2014 were audited by Bernard Ng, certified public accountants registered in Hong Kong.

The directors of Billion Mart have prepared the financial statements of Billion Mart for the six months ended 30 June 2015 (the “2015 June Financial Statements”) in accordance with HKFRSs issued by the HKICPA. We have carried out an independent audit on the 2015 June Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. For the purpose of this report, the statutory financial statements of Billion Mart for the years ended 31 December 2012, 2013 and 2014 together with the 2015 June Financial Statements are hereinafter referred to as the “Underlying Financial Statements”.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the reporting accountant” as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Billion Mart who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of Billion Mart as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the financial performance and cash flows of Billion Mart for the Relevant Periods.

The comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Billion Mart for the six months ended 30 June 2014 together with the notes thereon (the “June 2014 Financial Information”) have been extracted from Billion Mart’s unaudited financial information for the same period which was prepared by the directors of Billion Mart solely for the purpose of this report. We have reviewed the June 2014 Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) “Engagements to Review Historical Financial Statements” issued by the HKICPA. Our review of the June 2014 Financial Information 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 could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which confirms with HKFRSs.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | NOTES | Year ended 31 December | | | Six months ended 30 June | |
|--|-------|------------------------|------------------|------------------|---------------------------------|------------------|
| | | 2012 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2014 HK\$'000 (unaudited) | 2015 HK\$'000 |
| Turnover | 9 | 3,607 | 22,366 | 26,261 | 12,908 | 14,165 |
| Direct costs | | (63) | (1,842) | (1,897) | (890) | (1,468) |
| Gross profit | | 3,544 | 20,524 | 24,364 | 12,018 | 12,697 |
| Other income | 10 | 51 | 251 | 143 | 71 | 256 |
| Gain on change in fair value of investment properties | | 47,809 | 70,000 | 180,000 | 70,000 | 50,000 |
| Administrative expenses | | (314) | (728) | (336) | (46) | (17) |
| Finance costs | 11 | (1,930) | (15,531) | (14,000) | (5,046) | (6,998) |
| Profit before taxation | 12 | 49,160 | 74,516 | 190,171 | 76,997 | 55,938 |
| Taxation | 13 | (1,077) | (1,089) | (1,089) | (545) | (684) |
| Profit and total comprehensive income for the year/period | | <u>48,083</u> | <u>73,427</u> | <u>189,082</u> | <u>76,452</u> | <u>55,254</u> |

(A) FINANCIAL INFORMATION (Continued)

STATEMENTS OF FINANCIAL POSITION

| | NOTES | As at 31 December | | | As at 30 June |
|--|-------|-------------------|------------------|------------------|------------------|
| | | 2012 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 |
| Non-current assets | | | | | |
| Investment properties | 15 | 700,000 | 770,000 | 950,000 | 1,000,000 |
| Current assets | | | | | |
| Debtors, deposits and prepayments | 16 | – | 1,172 | 1,633 | 1,524 |
| Amount due from ultimate holding company | 17 | 59,935 | 60,721 | 60,721 | – |
| Amount due from a fellow subsidiary | 17 | 500 | 500 | 500 | – |
| Amounts due from related companies | 18 | 2,729 | 2,838 | 2,936 | – |
| Taxation recoverable | | 757 | – | – | – |
| Bank balances | 19 | 2,506 | 3,360 | 3,794 | 5,809 |
| | | 66,427 | 68,591 | 69,584 | 7,333 |
| Current liabilities | | | | | |
| Other payables | 20 | 7,647 | 10,725 | 11,091 | 11,890 |
| Taxation payable | | – | – | – | 139 |
| Amount due to ultimate holding company | 21 | – | – | – | 537,211 |
| Amount due to a fellow subsidiary | 21 | 621,173 | 615,743 | 606,199 | – |
| | | 628,820 | 626,468 | 617,290 | 549,240 |
| Net current liabilities | | (562,393) | (557,877) | (547,706) | (541,907) |
| Total assets less current liabilities | | 137,607 | 212,123 | 402,294 | 458,093 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 22 | 1,089 | 2,178 | 3,267 | 3,812 |
| Net assets | | 136,518 | 209,945 | 399,027 | 454,281 |
| Shareholders' equity | | | | | |
| Share capital | 23 | 10 | 10 | 10 | 10 |
| Accumulated profits | | 136,508 | 209,935 | 399,017 | 454,271 |
| Total shareholders' equity | | 136,518 | 209,945 | 399,027 | 454,281 |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

STATEMENTS OF CHANGES IN EQUITY

| | Share capital HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 |
|---|---------------------------------------|---|---------------------------|
| At 1 January 2012 | 10 | 88,425 | 88,435 |
| Profit and total comprehensive income for the year | <u>–</u> | <u>48,083</u> | <u>48,083</u> |
| At 31 December 2012 | 10 | 136,508 | 136,518 |
| Profit and total comprehensive income for the year | <u>–</u> | <u>73,427</u> | <u>73,427</u> |
| At 31 December 2013 | 10 | 209,935 | 209,945 |
| Profit and total comprehensive income for the year | <u>–</u> | <u>189,082</u> | <u>189,082</u> |
| At 31 December 2014 | 10 | 399,017 | 399,027 |
| Profit and total comprehensive income for the period | <u>–</u> | <u>55,254</u> | <u>55,254</u> |
| At 30 June 2015 | <u>10</u> | <u>454,271</u> | <u>454,281</u> |
| At 1 January 2014 | 10 | 209,935 | 209,945 |
| Profit and total comprehensive income for the period | <u>–</u> | <u>76,452</u> | <u>76,452</u> |
| At 30 June 2014 (unaudited) | <u>10</u> | <u>286,387</u> | <u>286,397</u> |

(A) FINANCIAL INFORMATION (Continued)

STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | | Six months ended 30 June | |
|---|------------------------|------------------|------------------|---------------------------------|------------------|
| | 2012 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2014 HK\$'000 (unaudited) | 2015 HK\$'000 |
| OPERATING ACTIVITIES | | | | | |
| Profit before taxation | 49,160 | 74,516 | 190,171 | 76,997 | 55,938 |
| Adjustments for: | | | | | |
| Interest income | (51) | (109) | (98) | (49) | (102) |
| Interest expenses | 1,930 | 15,531 | 14,000 | 5,046 | 6,998 |
| Gain on change in fair value of investment properties | (47,809) | (70,000) | (180,000) | (70,000) | (50,000) |
| Written off of trade debtors | 172 | - | 5 | - | - |
| Operating cash flows before movements in working capital | 3,402 | 19,938 | 24,078 | 11,994 | 12,834 |
| (Increase) decrease in debtors, deposits and prepayments | (148) | (1,172) | (466) | (55) | 109 |
| Increase (decrease) in other payables | 7,650 | 3,078 | 366 | (625) | 799 |
| Cash generated from operations | 10,904 | 21,844 | 23,978 | 11,314 | 13,742 |
| Hong Kong profit tax (paid) refunded | (1,071) | 757 | - | - | - |
| NET CASH FROM OPERATING ACTIVITIES | 9,833 | 22,601 | 23,978 | 11,314 | 13,742 |
| INVESTING ACTIVITIES | | | | | |
| Interest income received | 4 | - | - | - | - |
| Repayment from (advance to) ultimate holding company | 25,190 | (786) | - | - | - |
| Advance to related companies | (7) | - | - | - | - |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | 25,187 | (786) | - | - | - |
| FINANCING ACTIVITIES | | | | | |
| Interest paid | (1,930) | (15,531) | (14,000) | (5,046) | (6,998) |
| Repayment to a fellow subsidiary | (31,018) | (5,430) | (9,544) | (6,729) | (4,729) |
| NET CASH USED IN FINANCING ACTIVITIES | (32,948) | (20,961) | (23,544) | (11,775) | (11,727) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,072 | 854 | 434 | (461) | 2,015 |
| CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR/PERIOD | 434 | 2,506 | 3,360 | 3,360 | 3,794 |
| CASH AND CASH EQUIVALENT AT END OF THE YEAR/PERIOD | 2,506 | 3,360 | 3,794 | 2,899 | 5,809 |

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION****1. General**

Billion Mart is a private limited company incorporated in Hong Kong on 4 January 1998. Its parent and ultimate holding company is Lai Tak Holdings Limited, a private limited company incorporated in British Virgin Islands. Its ultimate controlling party is Mr. Kong Tak Ho, who is also the director of Billion Mart. The address of the registered office and the principal place of operation of Billion Mart is 23/F, Enterprise Square Three, No. 39 Wang Chiu Road, Kowloon Bay, Hong Kong.

Billion Mart is principally engaged in property investment.

The Financial Information is presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of Billion Mart. The Financial Information for the Relevant Periods is prepared solely for the purpose of including the financial information of Billion Mart in the Circular.

2. Basis of preparation of financial information

In preparing the Underlying Financial Statements, the directors of Billion Mart has given consideration to the future liquidity of Billion Mart in light of the fact that Billion Mart had net current liabilities of HK\$541,907,000 as at 30 June 2015. Upon completion of the acquisition of the entire issued share capital in and shareholder’s loan in Billion Mart by Nimble Run Limited, an indirect wholly-owned subsidiary of Company (the “Acquisition”), the directors of Billion Mart believe that the Company will provide financial support to the Billion Mart to meet in full its financial obligations as they fall due for the foreseeable future.

However, if the Acquisition is not completed, the directors of the Billion Mart believe that the vendor, Lai Tak Holdings Limited will continue to provide financial support to Billion Mart to enable it to meet its liabilities as and when they fall due and to continue its business for the foreseeable future. The directors of the Billion Mart believe that Billion Mart will continue as going concern. Consequently, the Financial Information has been prepared on a going concern basis.

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

3. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, Billion Mart has consistently applied all HKFRSs which are effective for the financial year beginning 1 January 2015 throughout the Relevant Periods.

Billion Mart has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|--|--|
| HKFRS 9 | Financial instruments ⁴ |
| HKFRS 14 | Regulatory deferral accounts ² |
| HKFRS 15 | Revenue from contracts with customers ³ |
| Amendments to HKAS 1 | Disclosure initiative ¹ |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation ¹ |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer plants ¹ |
| Amendments to HKAS 27 | Equity method in separate consolidated financial statements ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture ¹ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception ⁴ |
| Amendments to HKFRS 11 | Accounting for acquisitions of interests in joint operations ¹ |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2012 – 2014 cycle ¹ |

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for first annual HKFRSs financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

3. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

The directors of Billion Mart anticipate that the application of the new and revised HKFRSs will have no material impact on the financial performance and financial position of Billion Mart.

4. Significant accounting policies*Statement of compliance*

The Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The Financial Information have been prepared on the historical cost basis, except for the investment properties, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION (Continued)****4. Significant accounting policies (Continued)*****Basis of preparation (Continued)***

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents the rental income received and receivable from the letting of properties during the years/periods.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to Billion Mart and the amount of interest can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION (Continued)****4. Significant accounting policies (Continued)*****Investment properties***

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

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

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

Leasing

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

Billion Mart as lessor

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

Financial instruments

Financial assets and financial liabilities are recognised when Billion Mart becomes a party to the contractual provisions of the instrument.

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION (Continued)****4. Significant accounting policies (Continued)*****Financial instruments (Continued)***

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Billion Mart's financial assets are classified into loans and receivables.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors and deposits, amount due from ultimate holding company, amount due from a fellow subsidiary, amounts due from related companies and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

4. Significant accounting policies (Continued)

*Financial instruments (Continued)**Financial assets (Continued)*

Impairment of financial assets

Loans and receivables, are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade debtors, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include Billion Mart's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION (Continued)****4. Significant accounting policies (Continued)*****Financial instruments (Continued)******Financial assets (Continued)*****Impairment of financial assets (Continued)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Financial liabilities and equity instruments**Classification as debt or equity**

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

Equity instruments

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

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

4. Significant accounting policies (Continued)

*Financial instruments (Continued)**Financial liabilities and equity instruments (Continued)*

Effective interest method

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

Financial liabilities

Financial liabilities (including other payables, amount due to ultimate holding company and amount due to a fellow subsidiary) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Billion Mart derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Billion Mart derecognises a financial liability when, and only when, Billion Mart's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION (Continued)****4. Significant accounting policies (Continued)*****Taxation***

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

Current tax

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from 'profit before taxation' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Billion Mart's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised.

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

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

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

4. Significant accounting policies (Continued)

*Taxation (Continued)**Deferred tax (Continued)*

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

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property”, such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of Billion Mart whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year/period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of Billion Mart have reviewed the investment property portfolio of Billion Mart and concluded that none of the investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the “sale” presumption set out in the amendments to HKAS 12 is not rebutted. As a result, Billion Mart has not recognised any deferred taxes on changes in fair value of investment properties as Billion Mart is not expected to have tax consequence on disposal of those investment properties.

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION (Continued)****4. Significant accounting policies (Continued)*****Borrowing costs***

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

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

5. Critical accounting judgement and key sources of estimation uncertainty***Critical judgement in applying accounting policies***

The followings are the critical judgement, apart from those involving estimation uncertainty at the end of each reporting period, that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of Billion Mart have reviewed the investment property portfolio of Billion Mart and concluded that none of the investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors of Billion Mart have determined that the “sale” presumption set out in the amendments to HKAS 12 is not rebutted. As a result, Billion Mart has not recognised any deferred taxes on changes in fair value of investment properties as Billion Mart is not expected to have tax consequence on such changes in fair value upon disposal of these investment properties as the directors of Billion Mart consider Billion Mart is holding the investment properties for long-term investment purpose.

Key sources of estimation uncertainty

Management had made the following estimation that has the most significant effect on the amounts recognised in the Financial Information and a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

5. Critical accounting judgement and key sources of estimation uncertainty (Continued)***Key sources of estimation uncertainty (Continued)****Fair value of investment properties*

The directors of Billion Mart are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

Investment properties are carried in the statements of financial position at 30 June 2015 at their fair value of HK\$1,000,000,000 (31 December 2014: HK\$950,000,000, 31 December 2013: HK\$770,000,000, 31 December 2012: HK\$700,000,000) (note 15). The fair value was based on valuation of these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of Billion Mart's investment properties and corresponding adjustments to the amount of gain or loss reported in the statements of profit or loss and other comprehensive income.

6. Capital risk management

Billion Mart manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of Billion Mart consists of net debts, which represent amount due to a fellow subsidiary and amount due to ultimate holding company net of the cash and cash equivalents, and equity attributable to owners of Billion Mart, comprising issued share capital and accumulated profits.

The directors of Billion Mart review the capital structure on a regular basis. As part of this review, the directors of Billion Mart consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, Billion Mart will balance its overall capital structure through the payment of dividends, the issue of new debts and redemption of existing debts.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

7. Financial instruments

Categories of financial instruments

| | As at 31 December | | | As at 30 June |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
| Financial assets | | | | |
| Loans and receivables (including cash and cash equivalents) | <u>65,670</u> | <u>68,310</u> | <u>69,054</u> | <u>6,843</u> |
| Financial liabilities | | | | |
| Amortised cost | <u>628,724</u> | <u>626,101</u> | <u>617,045</u> | <u>548,642</u> |

Financial risk management objectives and policies

Billion Mart's major financial assets and liabilities include debtors and deposits, amount due from/to ultimate holding company, amount due from/to a fellow subsidiary, amounts due from related companies, bank balances and other payables.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Billion Mart's fair value interest rate risk relates primarily to fixed rate amounts due from related companies (note 18). Billion Mart is also exposed to cash flow interest rate risk relates primarily to variable-rate amount due to a fellow subsidiary which was linked to the Hong Kong Interbank Offered Rate ("HIBOR") and bank balances at the prevailing market deposit rate. Billion Mart currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

7. Financial instruments (Continued)

*Financial risk management objectives and policies (Continued)**Interest rate risk (Continued)*

The directors of Billion Mart consider the Billion Mart's exposure of bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period. Billion Mart's sensitivity to interest rate risk has been determined based on the exposure to interest rates for variable-rate amount due to a fellow subsidiary at the end of the reporting period assuming the outstanding balances at the end of the reporting period was outstanding for the whole year. Billion Mart's sensitivity to interest rate risk at the end of the reporting period while all other variable were held constant is as follows:

| | Year ended 31 December | | | Six months ended 30 June |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | 2012 50 basis points HK\$'000 | 2013 50 basis points HK\$'000 | 2014 50 basis points HK\$'000 | 2015 50 basis points HK\$'000 |
| Decrease in profit for the year/period as a result of an increase in the interest rate | (2,050) | (1,346) | (2,505) | – |
| Increase in profit for the year/period as a result of a decrease in the interest rate | 2,050 | 1,346 | 2,505 | – |

Credit risk

Billion Mart's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 June 2015, 31 December 2014, 2013 and 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

7. Financial instruments (Continued)

*Financial risk management objectives and policies (Continued)**Credit risk (Continued)*

In order to minimise the credit risk, the management of Billion Mart has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Billion Mart reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that Billion Mart's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Billion Mart has concentration of credit risk in relation to amount due from ultimate holding company for the years ended 31 December 2014, 2013 and 2012. The directors of Billion Mart have closely monitored the amount due from ultimate holding company of Billion Mart and the directors of Billion Mart considered such risk on the balance was manageable.

Billion Mart has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, Billion Mart monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Billion Mart's operations and mitigate the effects of fluctuations in cash flows.

Billion Mart had net current liabilities of HK\$541,907,000 as at 30 June 2015. As outlined in note 2, the directors of the Billion Mart believe that the liquidity risk can be mitigated upon completion of the Acquisition as the Company will provide financial support to the Billion Mart to meet the financial obligations as they fall due for the foreseeable future.

However, if the Acquisition is not completed, the vendor, Lai Tak Holdings Limited will provide continuing financial support to Billion Mart to enable it to meet its liabilities as and when they fall due and to continue its business for the foreseeable future.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

7. Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details Billion Mart's contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Billion Mart can be required to pay. The maturity dates for these financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

Liquidity tables

| | Weighted average effective interest rate % | On demand or less than 1 year and total undiscounted cash flow HK\$'000 | Carrying amount HK\$'000 |
|---|---|--|--------------------------------|
| 30 June 2015 | | | |
| Non-derivative financial liabilities | | | |
| Amount due to ultimate holding company | – | 537,211 | 537,211 |
| Other payables | – | 11,431 | 11,431 |
| | | <u>548,642</u> | <u>548,642</u> |
| 31 December 2014 | | | |
| Non-derivative financial liabilities | | | |
| Amount due to a fellow subsidiary | 2.33 | 620,179 | 606,199 |
| Other payables | – | 10,846 | 10,846 |
| | | <u>631,025</u> | <u>617,045</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

7. Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

| | Weighted average effective interest rate % | On demand or less than 1 year and total undiscounted cash flow HK\$'000 | Carrying amount HK\$'000 |
|---|---|--|--------------------------------|
| 31 December 2013 | | | |
| Non-derivative financial liabilities | | | |
| Amount due to a fellow subsidiary | 1.00 | 618,968 | 615,743 |
| Other payables | – | 10,358 | 10,358 |
| | | <u>629,326</u> | <u>626,101</u> |
| 31 December 2012 | | | |
| Non-derivative financial liabilities | | | |
| Amount due to a fellow subsidiary | 2.35 | 632,712 | 621,173 |
| Other payables | – | 7,551 | 7,551 |
| | | <u>640,263</u> | <u>628,724</u> |

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

8. Segment information

Billion Mart is engaged in single reportable segment being property investment. The directors of Billion Mart being the chief operating decision makers review the overall results of Billion Mart for the purpose of result allocation and performance assessment. Billion Mart principally operates in Hong Kong with all of its results derived from its operation in Hong Kong. Analysis of Billion Mart's non-current assets is not presented as they are all located in Hong Kong.

9. Turnover

Billion Mart's revenue for the Relevant Periods is rental income of the investment properties.

| | Year ended 31 December | | | Six months ended 30 June | |
|--------------------------------------|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> (unaudited) | 2015 <i>HK\$'000</i> |
| Rental income of commercial premises | 3,576 | 22,096 | 25,973 | 12,774 | 14,017 |
| Rental income of car parks | 31 | 270 | 288 | 134 | 148 |
| | <u>3,607</u> | <u>22,366</u> | <u>26,261</u> | <u>12,908</u> | <u>14,165</u> |

10. Other income

| | Year ended 31 December | | | Six months ended 30 June | |
|-----------------|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> (unaudited) | 2015 <i>HK\$'000</i> |
| Interest income | 51 | 109 | 98 | 49 | 102 |
| Sundry income | – | 142 | 45 | 22 | 154 |
| | <u>51</u> | <u>251</u> | <u>143</u> | <u>71</u> | <u>256</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

11. Finance costs

| | Year ended 31 December | | | Six months ended 30 June | |
|--|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> (unaudited) | 2015 <i>HK\$'000</i> |
| Interest on amount due to a fellow subsidiary | 1,930 | 15,531 | 14,000 | 5,046 | 6,998 |

12. Profit before taxation

| | Year ended 31 December | | | Six months ended 30 June | |
|---|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> (unaudited) | 2015 <i>HK\$'000</i> |
| Profit before taxation has been arrived at after charging: | | | | | |
| Directors' remuneration (<i>note</i>) | - | - | - | - | - |
| Auditor's remuneration | 8 | 16 | 16 | - | - |
| Written off of trade debtors | 172 | - | 5 | - | - |
| And after crediting: | | | | | |
| Gross rental income under operating leases | 3,607 | 22,366 | 26,261 | 12,908 | 14,165 |
| Less: Direct operating expenses that generated rental income during the year/period | (63) | (1,842) | (1,897) | (890) | (1,468) |
| | <u>3,544</u> | <u>20,524</u> | <u>24,364</u> | <u>12,018</u> | <u>12,697</u> |

Note: Directors' remuneration for the Relevant Periods were borne by the ultimate holding company of Billion Mart.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

13. Taxation

| | Year ended 31 December | | | Six months ended 30 June | |
|--------------------------------------|------------------------|-----------------|-----------------|--------------------------|-----------------|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | | (unaudited) | |
| Hong Kong Profits Tax | | | | | |
| Current year | - | - | - | - | 139 |
| Overprovision in prior years | (12) | - | - | - | - |
| | (12) | - | - | - | 139 |
| Deferred taxation (<i>note 22</i>) | 1,089 | 1,089 | 1,089 | 545 | 545 |
| | 1,077 | 1,089 | 1,089 | 545 | 684 |

Hong Kong Profits Tax is provided at 16.5% on the estimated assessable profits for the year/period.

No provision for current taxation is made as Billion Mart had no assessable profit for the year ended 31 December 2012 and 2013.

No provision for current taxation is made for the year ended 31 December 2014 since Billion Mart's assessable profit is wholly absorbed by tax losses brought forward.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

13. Taxation (Continued)

A statement of reconciliation of taxation are as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> (unaudited) | 2015 <i>HK\$'000</i> |
| Profit before taxation | 49,160 | 74,516 | 190,171 | 76,997 | 55,938 |
| Tax at domestic income tax rate of 16.5% | 8,111 | 12,295 | 31,378 | 12,705 | 9,230 |
| Tax effect of expenses not deductible | 29 | - | 1 | - | - |
| Tax effect of income not taxable | (7,890) | (11,550) | (29,700) | (11,550) | (8,250) |
| Tax effect of tax loss not recognised | 839 | 344 | - | - | - |
| Utilisation of tax loss previously not recognised | - | - | (590) | (610) | (593) |
| Overprovision in prior years | (12) | - | - | - | - |
| Others | - | - | - | - | 297 |
| Taxation for the year/period | 1,077 | 1,089 | 1,089 | 545 | 684 |

14. Directors' remuneration and employees' emoluments

Directors' remuneration

No directors' remuneration has been paid or payable to the directors of Billion Mart for the Relevant Periods. Directors' remuneration is borne by the ultimate holding company of Billion Mart.

Employees' remuneration

During the Relevant Periods, no salaries, other benefits and contributions to retirements benefit scheme were paid or payable by Billion Mart. There is no highest paid individuals during the Relevant Periods. A fellow subsidiary of Billion Mart provides management and supporting services to Billion Mart and hence no individual is employed under Billion Mart.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION (Continued)****15. Investment properties**

| | <i>HK\$'000</i> |
|------------------------------|-------------------------|
| FAIR VALUE | |
| At 1 January 2012 | – |
| Additions | 652,191 |
| Gain on change in fair value | <u>47,809</u> |
| At 31 December 2012 | 700,000 |
| Gain on change in fair value | <u>70,000</u> |
| At 31 December 2013 | 770,000 |
| Gain on change in fair value | <u>180,000</u> |
| At 31 December 2014 | 950,000 |
| Gain on change in fair value | <u>50,000</u> |
| At 30 June 2015 | <u><u>1,000,000</u></u> |

The fair value of Billion Mart's investment properties at 31 December 2014, 2013 and 2012 and 30 June 2015 has been arrived at on the basis of a valuation carried out on that date by Jones Lang LaSalle Limited ("JLL"), an independent property valuer not connected with Billion Mart. JLL has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of properties was arrived at by reference to the income capitalisation method which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations.

The investment properties are situated in Hong Kong held under medium-term leases.

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

15. Investment properties (Continued)

Summary of fair value hierarchy and Level 3 fair value measurements

All of Billion Mart's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. All investment properties of Billion Mart are valued by reference to a Level 3 fair value measurement.

There is no transfer between different levels within the fair value hierarchy during the Relevant Periods.

Level 3 valuation methodologies

| | Fair value <i>HK\$'000</i> | Significant unobservable inputs <i>(Note (a))</i> | |
|-------------------------|-------------------------------|---|---|
| | | Capitalisation rate <i>(Note (b))</i> | Market rent (per square foot) <i>(Note (b))</i> |
| Capitalisation approach | | | |
| Commercial properties | 1,000,000 | 3.5% | HK\$15.0 – HK\$32.0 |
| | (31 December 2014: | (31 December 2014: | (31 December 2014: |
| | 950,000) | 3.5%) | HK\$13.0 to HK\$32.0) |
| | (31 December 2013: | (31 December 2013: | (31 December 2013: |
| | 770,000) | 4%) | HK\$10.5 to HK\$29.0) |
| | (31 December 2012: | (31 December 2012: | (31 December 2012: |
| | 700,000) | 4%) | HK\$10.5 to HK\$29.0) |

Notes:

- (a) Fair value measurement of investment properties is positively correlated to the market rent and negatively correlated to the capitalisation rate.
- (b) A significant increase/decrease in these inputs would result in a significantly higher or lower fair value measurement.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

16. Debtors, deposits and prepayments

| | As at 31 December | | | As at 30 June |
|----------------------------|-------------------|-----------------|-----------------|-----------------|
| | 2012 | 2013 | 2014 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade debtors from tenants | – | 225 | 438 | 368 |
| Deposits and prepayments | – | 947 | 1,195 | 1,156 |
| | – | 1,172 | 1,633 | 1,524 |

Billion Mart is engaged in property investment to earn rental income. Billion Mart does not allow credit period to the tenants. Before accepting any new tenants, Billion Mart will internally assess the credit quality of the potential customers and define appropriate credit limit. Management closely monitors the credit quality of trade debtors. All trade debtors are past due at the end of the reporting period for which Billion Mart has not provided for impairment loss. Billion Mart does not hold any collateral over these balances.

The aged analysis of trade debtors, all of which are past due but not impaired, presented based on the due date for payment in accordance with the tenancy agreements at the end of the reporting period is as follows:

| | As at 31 December | | | As at 30 June |
|----------------|-------------------|-----------------|-----------------|-----------------|
| | 2012 | 2013 | 2014 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 30 days | – | 199 | 214 | 192 |
| 31 – 60 days | – | 26 | 141 | 142 |
| 61– 90 days | – | – | 24 | – |
| Over 90 days | – | – | 59 | 34 |
| | – | 225 | 438 | 368 |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

17. Amounts due from ultimate holding company/a fellow subsidiary

The amounts were unsecured, interest-free and repayable on demand.

18. Amounts due from related companies

The amounts due from related companies, of which the ultimate controlling party of Billion Mart also has control over the related companies, are unsecured, bear fixed interest at 4% per annum as at 31 December 2014, 2013 and 2012 and repayable on demand.

19. Bank balances

Bank balances held by Billion Mart were with an original maturity of three months or less at interest rate of 0.01% per annum as at 30 June 2015, 31 December 2014, 2013 and 2012. Billion Mart's bank balances are all denominated in HK\$, which is the functional currency of Billion Mart.

20. Other payables

| | As at 31 December | | | As at 30 June |
|--|-------------------|-----------------|-----------------|-----------------|
| | 2012 | 2013 | 2014 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Deposits received from tenants | 7,332 | 8,534 | 9,023 | 9,545 |
| Accrued charges | 96 | 27 | 34 | 34 |
| Prepaid rent from tenants | – | 340 | 211 | 425 |
| Other payables due to property manager | 219 | 1,824 | 1,823 | 1,886 |
| | 7,647 | 10,725 | 11,091 | 11,890 |

21. Amounts due to a fellow subsidiary/ultimate holding company

The amount due to a fellow subsidiary was unsecured, repayable on demand and non-interest bearing except for HK\$600,000,000, HK\$322,500,000 and HK\$491,000,000 as at 31 December 2014, 2013 and 2012 respectively which bore interest at HIBOR plus 2% per annum during the Relevant Periods.

As at 30 June 2015, the amount due to ultimate holding company is unsecured, repayable on demand and non-interest bearing.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)**NOTES TO FINANCIAL INFORMATION (Continued)****22. Deferred tax liabilities**

The followings are the deferred tax liabilities of Billion Mart and movements thereon during the year/period:

| | Accelerated tax depreciation HK\$ |
|--|--|
| At 1 January 2012 | – |
| Charge to statement of profit or loss and other comprehensive income for the year | <u>1,089</u> |
| At 31 December 2012 | 1,089 |
| Charge to statement of profit or loss and other comprehensive income for the year | <u>1,089</u> |
| At 31 December 2013 | 2,178 |
| Charge to statement of profit or loss and other comprehensive income for the year | <u>1,089</u> |
| At 31 December 2014 | 3,267 |
| Charge to statement of profit or loss and other comprehensive income for the period | <u>545</u> |
| At 30 June 2015 | <u><u>3,812</u></u> |

Billion Mart has unused tax losses of HK\$5,086,000, HK\$7,173,000, HK\$3,595,000 and HK\$nil as at 31 December 2012, 2013 and 2014, and 30 June 2015 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

23. Share capital

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| Authorised share capital | | |
| At 1 January 2012, 31 December 2012 and 31 December 2013 | | |
| – Ordinary shares of HK\$1 each | <u>10,000</u> | <u>10</u> |
| At 31 December 2014 and 30 June 2015 (<i>note</i>) | <u>N/A</u> | <u>N/A</u> |
| Issued and fully paid: | | |
| At 1 January 2012, 31 December 2012 and 31 December 2013 | | |
| – Ordinary shares of HK\$1 each | <u>10,000</u> | <u>10</u> |
| At 31 December 2014 and 30 June 2015 (<i>note</i>) | <u>10,000</u> | <u>10</u> |

Note: Billion Mart has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

24. Pledge of assets

At the end of each reporting period, Billion Mart's assets have been pledged to secure the bank loan facilities of its fellow subsidiaries as follows:

| | <u>As at 31 December</u> | | | <u>As at 30 June</u> |
|-----------------------|--------------------------|-----------------|-----------------|----------------------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Investment properties | <u>700,000</u> | <u>770,000</u> | <u>950,000</u> | <u>1,000,000</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

25. Capital commitments

| | As at 31 December | | | As at 30 June |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2013 | 2014 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital expenditure contracted for but not provided in Financial Information in relation to improvements to investment properties | – | 323 | 144 | 144 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

26. Operating lease commitments

At the end of each reporting period, Billion Mart had contracted with tenants for the following future minimum lease payments in respect of investment properties.

| | As at 31 December | | | As at 30 June |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2013 | 2014 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within one year | 16,915 | 19,383 | 21,037 | 25,279 |
| In the second to fifth year | 8,038 | 13,673 | 10,114 | 18,336 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | <u>24,953</u> | <u>33,056</u> | <u>31,151</u> | <u>43,615</u> |

Note: On 5 October 2012, Billion Mart has entered into a management agreement with a property manager pursuant to which Billion Mart appointed the property manager to provide building management services. Under the lease agreements contracted with the tenants, the tenants paid the management fee to the property manager for the expenditures incurred for building management purposes.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(A) FINANCIAL INFORMATION (Continued)

NOTES TO FINANCIAL INFORMATION (Continued)

27. Related party transactions

In addition to the balances and transactions with related parties as disclosed in Notes 17, 18 and 21, Billion Mart also entered into transactions with the following related parties during the year/period:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> (unaudited) | 2015 <i>HK\$'000</i> |
| Interest income earned from related companies | 47 | 109 | 98 | 49 | 102 |
| Interest expenses paid to a fellow subsidiary | 1,930 | 15,531 | 14,000 | 5,046 | 6,998 |
| Management fee paid to a fellow subsidiary | – | 960 | 960 | 480 | 540 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Compensation of key management personnel

The key management personnel are directors of Billion Mart, no remuneration had been paid to directors of Billion Mart by the Billion Mart during the Relevant Periods. Directors' remuneration is borne by the ultimate holding company of Billion Mart.

28. Major non-cash transaction

During the year ended 31 December 2012, the purchase of investment properties amounting to HK\$652,191,000 was paid on behalf of Billion Mart by its fellow subsidiary, Lai Tak Enterprises Limited.

During the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015, the interest income earned from related companies amounting to HK\$47,000, HK\$109,000, HK\$98,000, HK\$49,000 and HK\$102,000 respectively was settled through the current account due from related companies.

During the six months ended 30 June 2015, the ultimate holding company, a fellow subsidiary and related companies of Billion Mart have entered into agreements to assign the balances of current accounts as at 30 June 2015 to the ultimate holding company of Billion Mart.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Billion Mart, in respect of any period subsequent to 30 June 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED
GROUP****(I) Basis of preparation of the unaudited pro forma consolidated statement of assets
and liabilities of the Enlarged Group**

On 8 September 2015, Hanison Construction Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) entered into a sale and purchase agreement (the “Agreement”) with Mr. Kong Tak Ho and Lai Tak Holdings Limited (the “Vendors”), in relation to the acquisition of the entire share capital in and shareholder’s loan to Billion Mart Development Limited (the “Target Company”).

Pursuant to the Agreement, the consideration for the Acquisition is HK\$998,000,000 (the “Consideration”). The Acquisition is conditional upon the satisfaction of the conditions set out in the Agreement and the consideration is subject to adjustments set out in the Agreement.

The unaudited pro forma financial information that includes unaudited pro forma consolidated statement of assets and liabilities of the Group and the Target Company (collectively referred to as the “Enlarged Group”) is prepared to provide information on the Group as a result of the completion of the Acquisition on the basis of notes set out below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 31 March 2015.

The unaudited pro forma financial information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group upon completion as at 31 March 2015 or at any future date.

The unaudited pro forma financial information for the year ended 31 March 2015 is prepared based on (i) the consolidated statement of financial position of the Group as at 31 March 2015 as extracted from the financial statements set out in the latest published annual report of the Group and (ii) the statement of financial position of the Target Company at 30 June 2015 as extracted from the accountants’ report on financial information of the Target Company set out in Appendix II to this Circular, after making pro forma adjustments to the Acquisition.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**(II) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the
Enlarged Group**

| | The Group 31 March 2015 <i>HK\$'000</i> <i>(Note 1)</i> | The Target Company 30 June 2015 <i>HK\$'000</i> <i>(Note 2)</i> | Pro forma adjustments | | Unaudited pro forma total for the Enlarged Group <i>HK\$'000</i> <i>(Unaudited)</i> |
|---------------------------------------|--|---|------------------------------------|------------------------------------|---|
| | | | <i>HK\$'000</i> <i>(Note 3)</i> | <i>HK\$'000</i> <i>(Note 4)</i> | |
| Non-current assets | | | | | |
| Investment properties | 1,028,240 | 1,000,000 | – | – | 2,028,240 |
| Property, plant and equipment | 68,794 | – | – | – | 68,794 |
| Prepaid lease payments | 6,508 | – | – | – | 6,508 |
| Interest in an associate | 26,223 | – | – | – | 26,223 |
| Interests in joint ventures | 187,158 | – | – | – | 187,158 |
| Pledged bank deposits | 83,720 | – | – | – | 83,720 |
| Deferred tax assets | 488 | – | – | – | 488 |
| | <u>1,401,131</u> | <u>1,000,000</u> | <u>–</u> | <u>–</u> | <u>2,401,131</u> |
| Current assets | | | | | |
| Properties under development for sale | 343,166 | – | – | – | 343,166 |
| Properties held for sale | 393,680 | – | – | – | 393,680 |
| Inventories | 22,089 | – | – | – | 22,089 |
| Amounts receivable on contract work | 134,805 | – | – | – | 134,805 |
| Progress payments receivable | 96,723 | – | – | – | 96,723 |
| Retention money receivable | 214,466 | – | – | – | 214,466 |
| Debtors, deposits and prepayments | 542,405 | 1,524 | – | – | 543,929 |
| Prepaid lease payments | 219 | – | – | – | 219 |
| Amounts due from joint ventures | 18 | – | – | – | 18 |
| Amount due from an associate | 2,198 | – | – | – | 2,198 |
| Investments held for trading | 426 | – | – | – | 426 |
| Taxation recoverable | 2,940 | – | – | – | 2,940 |
| Bank balances and cash | 301,206 | 5,809 | (993,304) | (14,500) | (700,789) |
| | <u>2,054,341</u> | <u>7,333</u> | <u>(993,304)</u> | <u>(14,500)</u> | <u>1,053,870</u> |

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

| | The Group 31 March 2015 <i>HK\$'000</i> <i>(Note 1)</i> | The Target Company 30 June 2015 <i>HK\$'000</i> <i>(Note 2)</i> | Pro forma adjustments | | Unaudited pro forma total for the Enlarged Group <i>HK\$'000</i> (Unaudited) |
|---|--|---|------------------------------------|------------------------------------|--|
| | | | <i>HK\$'000</i> <i>(Note 3)</i> | <i>HK\$'000</i> <i>(Note 4)</i> | |
| Current liabilities | | | | | |
| Amounts payable on contract work | 243,447 | – | – | – | 243,447 |
| Trade and other payables | 586,429 | 11,890 | – | – | 598,319 |
| Taxation payable | 18,707 | 139 | – | – | 18,846 |
| Amount due to a non-controlling shareholder | 76,222 | – | – | – | 76,222 |
| Amount due to ultimate holding company | – | 537,211 | (537,211) | – | – |
| Bank loans – amounts due within one year | 691,260 | – | – | – | 691,260 |
| | <u>1,616,065</u> | <u>549,240</u> | <u>(537,211)</u> | <u>–</u> | <u>1,628,094</u> |
| Net current assets (liabilities) | <u>438,276</u> | <u>(541,907)</u> | <u>(456,093)</u> | <u>(14,500)</u> | <u>(574,224)</u> |
| Total assets less current liabilities | <u>1,839,407</u> | <u>458,093</u> | <u>(456,093)</u> | <u>(14,500)</u> | <u>1,826,907</u> |
| Non-current liabilities | | | | | |
| Other long-term payable | 14,253 | – | – | – | 14,253 |
| Deferred tax liabilities | 8,095 | 3,812 | – | – | 11,907 |
| | <u>22,348</u> | <u>3,812</u> | <u>–</u> | <u>–</u> | <u>26,160</u> |
| Net assets | <u><u>1,817,059</u></u> | <u><u>454,281</u></u> | <u><u>(456,093)</u></u> | <u><u>(14,500)</u></u> | <u><u>1,800,747</u></u> |

Notes:

- The amounts are extracted from the latest published consolidated financial statements of the Group for the year ended 31 March 2015.
- The amounts are extracted from the accountants' report on financial information of the Target Company for the year ended 30 June 2015 as set out in Appendix II to this Circular.

3. Pursuant to the Agreement, the consideration of the Acquisition includes the consideration for acquisition of the entire share capital in and shareholder's loan to the Target Company. According to the Agreement, the consideration is HK\$998,000,000 which is subject to adjustments of net current asset value of the Target Company excluding the shareholder's loan of the Target Company as at the completion date.

For the purposes of the preparation of the pro forma financial information of the Enlarged Group, the consideration of the Acquisition is assumed to be HK\$993,304,000, which is based on consideration of HK\$998,000,000 after adjustment of net current liability value (excluding the shareholder's loan) of the Target Company of HK\$4,696,000 as at 30 June 2015. With this premise, the pro forma financial information may be different from the actual amounts of assets and liabilities acquired and the Group may also incur finance costs arising from bank borrowings.

It is assumed that the pro forma cash consideration of HK\$993,304,000 will be paid by the Group's bank balances and cash of HK\$301,206,000 and the Enlarged Group will have bank facilities to provide funding in order to cover the shortfall. The directors of the Company expect the Acquisition will be financed by a combination of (a) bank borrowings and (b) the Group's internal financial resources. Up to the date the unaudited pro forma financial information of the Enlarged Group is authorised to be issued, the Group has not yet been granted the relevant banking facilities.

Excess of the consideration over the net carrying value of the assets and liabilities of the Target Company, amounting to HK\$1,812,000 has been recognised in the retained profits as the investment properties acquired are stated at their fair value as at 30 June 2015. It is assumed that the fair value of the net identifiable assets as at the completion date is equal to the carrying amount of the net assets acquired as at 30 June 2015 as recorded by the Target Company. Since the cost allocation to the individual identifiable assets and liabilities is not complete and the fair values of identifiable assets and liabilities of the Target Company acquired may change at the actual date of completion of the Acquisition, the amount allocated to investment properties recognised by the Group may be different.

4. The adjustment represents estimated expenditures incurred directly in connection with the Acquisition which is recognised in the retained profits as investment properties acquired are stated at fair value as at 30 June 2015. The estimated expenditure included agency fee, legal fees, printing costs, accountants' fees, and other related expenses to be borne by the Group of approximately HK\$14,500,000.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

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 our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

**TO THE DIRECTORS OF HANISON CONSTRUCTION HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of 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 pro forma financial information consists of the pro forma consolidated statement of assets and liabilities of the Group as at 31 March 2015 and related notes as set out in section A of Appendix III of the circular issued by the Company dated 25 September 2015 (the “Circular”) in connection with the acquisition of the entire share capital in and shareholder’s loan to Billion Mart Development Limited (the “Target Company”). The applicable criteria on the basis of which the directors of the Company (the “Directors”) have compiled the pro forma financial information are described in section A of Appendix III of the Circular. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impacts of the acquisition of the share capital in and shareholder’s loan to the Target Company on the Group’s financial position as at 31 March 2015 as if the transaction had taken place at 31 March 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 March 2015, on which an independent auditor’s report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 ("HKSAE") 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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 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 pro forma financial information.

The purpose of pro forma financial information included in the 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 2015 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 September 2015

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Limited, an independent valuer, in connection with the valuation of the Property as at 31 August 2015.



Jones Lang LaSalle Limited
Valuation Advisory Services
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tel +852 2846 5000 fax +852 2968 0078
Company Licence No.: C-003464

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牌照號碼：C-003464



ISO 9001 : 2008
Certificate No.: CC 568

25 September 2015

The Board of Directors
Hanison Construction Holdings Limited
Unit 1, 4/F, Block B,
Shatin Industrial Centre,
Nos. 5-7 Yuen Shun Circuit,
Shatin,
New Territories

Dear Sirs

RE: VALUATION OF NO. 476 CASTLE PEAK ROAD, KOWLOON, HONG KONG (NEW KOWLOON INLAND LOT NO. 1761)

We refer to the instruction from Hanison Construction Holdings Limited (“the Company”) for us to carry out market valuation of the property interest located at No. 476 Castle Peak Road, Kowloon, Hong Kong (New Kowloon Inland Lot No. 1761) (“the Property”).

We confirm that we have carried out inspection of the Property and have made relevant enquiries and obtained such further information as we deem necessary to derive our opinion as to the market value of the unencumbered leasehold property interest as at 31 August 2015 (“the date of valuation”) for the purpose of public disclosure in respect of the acquisition of the Property.

Basis of Valuation

All work has been carried out in accordance with the “HKIS Valuation Standards 2012 Edition” published by The Hong Kong Institute of Surveyors (“HKIS”) and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. If the HKIS Valuation Standards are silent on subjects requiring guidance, we refer to the “International Valuation Standards” published by the International Valuation Standards Council (“IVSC”), as appropriate, subject to variation to meet local established law, custom, practice and market conditions. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the HKIS Valuation Standards.

Our valuation is made on the basis of the Market Value as defined by IVSC and adopted by HKIS and Royal Institution of Chartered Surveyors (“RICS”), set out as:

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

Our valuation presented in the report would represent 100% interest of the Property and not the shareholding of the company holding the property interest hereof.

Valuation Methodology

For the valuation of the Property, we have adopted the income capitalization method to derive our market value opinion of the Property and cross-checked by the direct comparison method.

The income capitalization method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rate, which is derived from analysis of sale transactions and our interpretation of prevailing investor requirements or expectations. The market rents adopted in our valuation have reference to lettings of comparable premises.

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

Valuation Assumptions

Our valuation has been made on the assumption that the owner sell the property interest on the open market without the benefit of deferred-terms contract, leaseback, joint venture, management agreements or any similar arrangements which would serve to affect the value of such property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

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

Source of Information

We have relied to a considerable extent on the information provided by the Company, including a tenancy schedule of the Property dated 4 August 2015 (“the Tenancy Schedule”) and have obtained relevant information from the Land Registry and the Buildings Department. We have also accepted advice given to us on matters including planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas, the identification of the property and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in copies of documents provided to us and are therefore only approximations.

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

Title Investigation

We have not been provided with copies of the title documents relating to the property interest. However, we have caused searches to be made for the property at the Land Registry. We have not scrutinized the original documents to verify ownership and encumbrances, or to ascertain any amendment which may or may not appear on the copies handed to us.

Site Investigation

We have not carried out site measurements to verify the correctness of the site area. We have assumed that the site area shown on the site plan annexed to the land grant document is correct.

We were not instructed to carry out any investigations on site in order to determine the suitability of ground conditions and services, nor did we undertake archaeological, ecological or environmental surveys. In the course of our valuation, we have assumed that as at the date of valuation these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. However, should it be established subsequently that contamination exists at the Property or on neighbouring land, or that the Property has been or is being put to any contaminative use, we reserve the right to adjust the value reported herein.

Property Inspection

We inspected the exterior and, where possible, the interior of the Property on 11 September 2015 by our Regional Director, Ms. Dorothy Chow MHKIS, MRICS, RPS(GP) and our Manager, Ms. Vivian Poon MHKIS, MRICS. In the capacity as an external valuer, we have not carried out any building survey, nor have we inspected those parts of the Property which are covered, unexposed or inaccessible, which parts are assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of the uninspected parts of the Property. This report should not be taken as making any implied representation or statement about such parts. We are not able to report that the Property is free from rot, infestation or any other structural defects. No tests have been carried out to any of the services.

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

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' industrial or commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Disclosure of Interest

We would disclose that the Property and Asset Management Department of Jones Lang LaSalle Limited is the appointed property manager of the Property.

We hereby certify Jones Lang LaSalle Limited is unaware of any of our business, relationship or interest which is in real, potential or apparent conflict with the performance required for the valuation of the Property. We also confirm we are independent of Billion Mart Development Limited, its ultimate holding company, Lai Tak Holdings Limited and shareholder Mr. Kong Tak Ho.

Report

Our valuation certificate is attached hereto.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited
Dorothy Chow
BSc (Hons), MSc, MHKIS, MRICS, RPS (GP)
Regional Director
Licence No.: E-182969

Note: Ms. Dorothy Chow, MHKIS MRICS RPS(GP), is a qualified general practice surveyor and has 17 years of experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

| Property | Description, age and tenure | Particulars of occupancy | Market Value as at 31 August 2015 |
|---|---|--|-----------------------------------|
| No.476 Castle Peak Road, Kowloon, Hong Kong | The Property, or otherwise known as Park Building, comprises a 23-storey office building with a retail shop on ground floor. The Property was completed in April 1984 (Occupation Permit No.NK19/84) as an industrial building and was subsequently converted to an office building in 2000. | According to the Tenancy Schedule, the Property was leased to various tenants at an occupancy rate of approximately 92% as at 4 August 2015. | HK\$1,000,000,000 |
| New Kowloon Inland Lot No. 1761 (NKIL 1761) | <p>The ground floor of the Property accommodates a retail shop unit, main lobby and 5 parking spaces, including 2 private car parking spaces, 1 light goods vehicle parking space and 2 lorry parking spaces. Office units are provided from the 1st to 22nd floors (inclusive).</p> <p>As shown on the alterations and additions plans approved by the Building Authority on 25 May 2000 (“A&A Plans”), the total gross floor area of the Property is about 145,394ft² (13,507.477m²).</p> <p>The registered site area of NKIL 1761 is approximately 10,000ft² (929.02m²).</p> <p>NKIL 1761 is held under a Government Lease as modified by a Modification Letter dated 4 March 1950 and subsequently by another Modification Letter dated 12 February 1997. The lease term of NKIL 1761 is from 1 July 1898 for a term of 75 years, renewed for a further 24 years and had been extended to expire on 30 June 2047.</p> <p>The current annual Government Rent payable for the Property is equivalent to 3% of its rateable value from time to time.</p> | <p>The majority of the lease terms vary from 2 to 3 years with the latest lease expiry in July 2018.</p> <p>The total monthly rental receivable of the Property as at 4 August 2015 was approximately HK\$2,272,000.</p> | (HONG KONG DOLLARS ONE BILLION) |

Notes:

- (1) The registered owner of the Property is Billion Mart Development Limited.
- (2) According to the Land Registry records as at 9 September 2015, the following major encumbrances had been registered against the Property:
 - (a) Modification Letter with Plan dated 12 February 1997 vide Memorial No. UB6936842.
 - (b) Mortgage in favour of Hang Seng Bank Limited for a consideration to secure all moneys in respect of general banking facilities dated 31 October 2012 vide Memorial No. 12111502560081.
 - (c) Rental Assignment in favour of Hang Seng Bank Limited dated 31 October 2012 vide Memorial No. 12111502560098.

There are also various tenancy agreements registered against the Property.

- (3) The Property is zoned for “Other Specified Uses (Business 1)” uses under the Cheung Sha Wan Outline Zoning Plan No. S/K5/35 approved on 17 December 2013. This zone is intended primarily for general business uses. A mix of information technology and telecommunications industries, non-polluting industrial, office and other commercial uses are always permitted in new “business” buildings. Less fire hazard-prone office use that would not involve direct provision of customer services or goods to the general public is always permitted in existing industrial or industrial-office buildings.
- (4) Under the town planning restriction, no new development, or addition, alteration and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment in excess of a maximum plot ratio of 12.0 and a maximum building height of 130 metres above Principal Datum, or the plot ratio and the height of the existing building, whichever is the greater. A minimum setback of 2m from the lot boundary abutting Castle Peak Road shall also be provided.
- (5) The user restrictions and maximum gross floor area restriction under the Government Lease of NKIL 1761 as modified by a Modification Letter dated 4 March 1950 and subsequently by another Modification Letter dated 12 February 1997 are as follows:
 - Non-industrial (excluding residential and cinema) purposes
 - Ground floor for retail purposes and/or restaurant and for the manoeuvring, parking, loading and unloading of service vehicles
 - Upper floors for office purposes
 - Total gross floor area shall not exceed 13,859.56m² (149,184ft²)

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY FOR THE
THREE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014 AND SIX MONTHS ENDED
30 JUNE 2015

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 was established in the Hong Kong on 14 January 1998 with limited liability. The Target Company is engaged in property investment in Hong Kong.

Revenue

Revenue of the Target Company for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|--------------------------------------|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | 2012 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> (unaudited) | 2015 <i>HK\$'000</i> |
| Rental income of commercial premises | 3,576 | 22,096 | 25,973 | 12,774 | 14,017 |
| Rental income of car parks | 31 | 270 | 288 | 134 | 148 |
| | <u>3,607</u> | <u>22,366</u> | <u>26,261</u> | <u>12,908</u> | <u>14,165</u> |

For the three years ended 31 December 2012, 2013 and 2014, revenue of the Target Company increased from HK\$3,607,000 in 2012 to HK\$22,366,000 in 2013. The significant increase in revenue was primarily due to the full year impact in the year of 2013 after the acquisition of the property by the Target Company in November 2012. The revenue of the Target Company increased from HK\$22,366,000 in 2013 to HK\$26,261,000 in 2014. The steady growth in the Target Company's revenue was primarily due to increase in rental income during the relevant reporting period. The average occupancy rate for the Property is around 95% during the relevant periods.

For the six months ended 30 June 2014 and 2015, revenue of the Target Company increased from HK\$12,908,000 in 2014 to HK\$14,165,000 in 2015. The steady growth in the Target Company's revenue was primarily due to increase in rental income during the relevant reporting period. The average occupancy rate for the Property is around 90% during the relevant periods.

Increase in fair value of investment properties

At the end of each reporting period, the Target Company states investment properties at fair value based on the valuation performed by an independent professional valuer. For the years ended 31 December 2012, 2013 and 2014, increase in fair value of investment properties of the Target Company amounted to HK\$47,809,000, HK\$70,000,000 and HK\$180,000,000 respectively. For the six months ended 30 June 2015, there was further increase in fair value of investment properties of the Target Company amounted to HK\$50,000,000.

Direct costs

Direct costs of the Target Company for the years ended 31 December 2012, 2013 and 2014 are HK\$63,000, HK\$1,842,000 and HK\$1,897,000 respectively. For the six months ended 30 June 2014 and 2015, the direct costs are HK\$134,000 and HK\$148,000 respectively. It mainly comprises of management fee, insurance, stamp duty and repair and maintenance expenses.

The significant increase in direct costs was primarily due to the full year impact in the year of 2013 after the acquisition of the Property by the Target Company in November 2012. The increase of which from 2013 to 2014 was mainly due to the effect on inflation growth in Hong Kong.

Administrative expenses

Administrative expenses of the Target Company for the years ended 31 December 2012, 2013 and 2014 are HK\$314,000, HK\$728,000 and HK\$336,000, respectively. For the six months ended 30 June 2014 and 30 June 2015, the administrative expenses are HK\$46,000 and HK\$17,000 respectively. It comprises of professional and legal fee, consultant fee, government rate and other miscellaneous expenses.

Finance Costs

Finance costs represents interest expenses repayable to a fellow subsidiary of the Target Company for the years ended 31 December 2012, 2013 and 2014, which were HK\$1,930,000 HK\$15,531,000 and HK\$14,000,000 respectively. For the six months ended 30 June 2014 and 30 June 2015, the finance costs were HK\$5,046,000 and HK\$6,998,000 repayable to a fellow subsidiary of the Target Company.

Liquidity and Financial Resources

The Target Company generally finances its operations with the initial funding from the group companies of the Target Company and cash flows generated internally and its operating activities. As at 31 December 2012, 2013, 2014 and 30 June 2015, the Target Company had net current liabilities of HK\$562,393,000, HK\$557,887,000, HK\$547,706,000 and HK\$541,907,000, respectively. The significant net current liabilities in the Relevant Periods was primarily due to the funding from the group companies which are repayable on demand.

Capital Structure

The amount due to a fellow subsidiary was unsecured, repayable on demand and non-interest bearing except for HK\$491,000,000, HK\$322,500,000 and HK\$600,000,000 as at 31 December 2012, 2013 and 2014 respectively which bore interest at HIBOR plus 2% per annum during the relevant periods.

As at 30 June 2015, the amount due to ultimate holding company is unsecured, repayable on demand and non-interest bearing.

Gearing Ratio

The gearing ratio of the Target Company, which is equal to the total liabilities over total assets as at 31 December 2012, 2013 and 2014 and 30 June 2015, was approximately 82%, 75%, 61% and 55%, respectively.

Foreign Currency Risks

The businesses conducted by the Target Company during the three years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015 were denominated in HK\$. Therefore, the management did not consider that the Target Company was exposed to any significant foreign currency exchange risks and it had not used any financial instrument for hedging purpose during the aforesaid periods.

Capital Commitment

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Company had the capital commitment of nil, HK\$323,000, HK\$144,000 and HK\$144,000, respectively.

Charge of Assets

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the investment properties of the Target Company were pledged to secure the bank facilities of its fellow subsidiary. The fellow subsidiary of the Target Company has utilised the bank facilities and provided an interest-bearing loan to Target Company to finance the acquisition of investment properties during the year ended 31 December 2012.

Contingent Liabilities

The Target Company did not have any contingent liabilities as at 31 December 2012, 2013 and 2014 and 30 June 2015.

Material 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 2012, 2013 and 2014 and six months ended 30 June 2015 and it did not have any significant investments held or plan for material investments or capital assets during such periods.

Employees and Remuneration Policy

The Target Company did not have any employees as at 31 December 2012, 2013 and 2014 and 30 June 2015.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' Interests

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

(i) Long positions in the Ordinary Shares of HK\$0.10 each of the Company

| Name of Director | Capacity | Number of ordinary shares | | | Total | Approximately percentage of issued share capital |
|-----------------------|--|---------------------------|------------------------|--------------------|-------------|---|
| | | Personal interests | Corporate interests | Other interests | | |
| Cha Mou Sing, Payson | (1) Beneficial owner; | 919,639 | 4,467,840 | 144,582,585 | 149,970,064 | 22.12% |
| | (2) Interest of controlled corporation; and | | (Note 1) | (Note 2) | | |
| | (3) Beneficiary of discretionary trusts | | | | | |
| Cha Mou Daid, Johnson | Beneficiary of discretionary trusts | - | - | 147,331,523 | 147,331,523 | 21.74% |
| | | | | (Note 2) | | |
| Wong Sue Toa, Stewart | (1) Beneficial owner; and | 5,624,105 | 4,270,975 | - | 9,895,080 | 1.46% |
| | (2) Interest of controlled corporation | | (Note 3) | | | |
| Tai Sai Ho | Beneficial owner | 570,022 | - | - | 570,022 | 0.08% |

Notes:

- (1) The shares are held by Accomplished Investments Ltd., in which the relevant director is deemed to be interested by virtue of Part XV of the SFO.
- (2) These shares are held under certain but not identical discretionary trusts, of which Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson are among the members of the class of discretionary beneficiaries.
- (3) Mr. Wong Sue Toa, Stewart's corporate interests in the Company arise from the fact that he owns 50% of the share capital of Executive Plaza Limited, which holds 4,270,975 shares of the Company.

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

| Name of Director | Number of share options outstanding as at the Latest Practicable Date | Approximately percentage of issued share capital | Date of grant | Exercisable period | Exercise price (HK\$) |
|-----------------------|---|--|------------------|--------------------------------------|-----------------------|
| Cha Mou Sing, Payson | 6,700,000 | 0.98% | 26 November 2014 | 26 November 2014 to 25 November 2019 | 1.08 |
| Cha Mou Daid, Johnson | 3,350,000 | 0.49% | 26 November 2014 | 26 November 2014 to 25 November 2019 | 1.08 |
| Wong Sue Toa, Stewart | 6,700,000 | 0.98% | 26 November 2014 | 26 November 2014 to 25 November 2019 | 1.08 |
| Tai Sai Ho | 3,350,000 | 0.49% | 26 November 2014 | 26 November 2014 to 25 November 2019 | 1.08 |
| Chan Pak Joe | 670,000 | 0.09% | 26 November 2014 | 26 November 2014 to 25 November 2019 | 1.08 |
| Lam Chat Yu | 670,000 | 0.09% | 26 November 2014 | 26 November 2014 to 25 November 2019 | 1.08 |
| Lau Tze Yiu, Peter | 515,000 | 0.07% | 26 November 2014 | 26 November 2014 to 25 November 2019 | 1.08 |
| Sun Tai Lun | 670,000 | 0.09% | 26 November 2014 | 26 November 2014 to 25 November 2019 | 1.08 |

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

(b) Substantial Shareholders' Interests

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

Long position in the Ordinary Shares of HK\$0.10 each of the Company

| Name of shareholder | Capacity | Number of ordinary shares | Approximate percentage of issued share capital |
|--|---|---------------------------|--|
| Great Wisdom Holdings Limited ("Great Wisdom") (Note a) | Beneficial owner | 159,709,037 | 23.56% |
| HKRI (Note a) | (1) Beneficial owner; and (2) Interest of controlled corporation | 328,493,757 | 48.47% |
| CCM Trust (Cayman) Limited ("CCM Trust") (Note b) | (1) Trustee; and (2) Interest of controlled corporation | 457,846,998 | 67.55% |

Notes:

- (a) Great Wisdom is a wholly owned subsidiary of HKRI and therefore HKRI is deemed to be interested in the 159,709,037 shares held by Great Wisdom in accordance with the SFO. Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, all being the Directors, are also directors of HKRI.
- (b) These share interests comprise 129,353,241 shares directly held by CCM Trust, 328,493,757 shares indirectly held through HKRI. As CCM Trust controls more than one-third of the share capital of HKRI (held as to approximately 41.48% by CCM Trust), it is deemed to be interested in the respective share interests of this company. CCM Trust is holding these shares as the trustee of certain but not identical discretionary trusts of which members of the Cha Family (comprising, inter alia, Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, all being the Directors) are among the discretionary objects. Mr. Cha Mou Sing, Payson is also a director of CCM Trust.

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' INTERESTS

- (a) 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).
- (b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have, since 31 March 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (c) 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 Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Notes:

- (i) Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, being the non-executive directors of the Company and Mr. Chan Pak Joe, being an independent non-executive director of the Company, are not involved in the daily management of the Group. Accordingly, the Company is capable of carrying its business independently of, and at arm's length from the above mentioned competing business.
- (ii) Such businesses may be made through subsidiaries, affiliated companies or by way of other forms of investments.

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

5. 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, except the legal actions in respect of allegations of copyright infringement and defamation were taken during the financial year ended 31 March 2004 against certain subsidiaries of the Company carrying on its health products business. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements took place in 2004. The Directors are of the opinion that in view of the uncertainty it is not practicable to assess the financial effect.

6. QUALIFICATION AND CONSENTS OF EXPERTS AND EXPERTS' INTERESTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

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

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 2015 (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 Group, or are proposed to be acquired or disposed of by or leased to any member of the 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.

7. GENERAL

- (a) The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business in Hong Kong is located at Unit 1, 4/F., Block B, Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong.
- (b) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Lo Kai Cheong, who is a member of CPA Australia (CPA (Aust.)) and a fellowship member of Hong Kong Institute of Certified Public Accountants (FCPA) and Association of International Accountants (FAIA).
- (d) The English text of this circular shall prevail over the Chinese text.

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 Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (a) a sale and purchase agreement dated 10 February 2014 entered into between Exceed Advance Limited (a wholly owned subsidiary of the Company) (“Exceed Advance”) as purchaser, and AG Acquisition G (BVI) L.P. (“AG LP”) as vendor, regarding the acquisition of 25% interest in a piece of land located at Sha Tin Town Lot No. 603, Lok Lam Road, Fo Tan, New Territories (the “Lok Lam Road Property”) (which is in turn held by AG Acquisition M (BVI) Limited (“AG BVI”) through its wholly owned subsidiary) at a consideration of HK\$5,019,584.50. Further details of the sale and purchase agreement are set out in the announcement of the Company dated 10 February 2014;
- (b) a loan assignment dated 10 February 2014 entered into among Exceed Advance as assignee, AG LP as assignor, and AG BVI as debtor, regarding the assignment of a shareholder’s loan in the sum of HK\$5,019,389.50 (representing 25% of the outstanding shareholder’s loan owed by AG BVI to AG LP) to Exceed Advance. Further details of the loan assignment are set out in the announcement of the Company dated 10 February 2014;
- (c) a shareholders deed dated 10 February 2014 entered into among Exceed Advance as shareholder, AG LP as shareholder, and AG BVI as subject company, regarding the management of AG BVI and the construction, development, management and marketing and sale of the Lok Lam Road Property referred to in (a) above (the “Lok Lam Project”). Further details of the shareholders deed are set out in the announcement of the Company dated 10 February 2014;
- (d) a shareholder loan agreement dated 10 February 2014 entered into Exceed Advance as lender, AG LP as lender, and AG BVI as borrower, pursuant to which each of Exceed Advance and AG LP agreed to advance unsecured and interest free shareholder loans of HK\$5,019,389.50 and HK\$15,058,168.50 respectively and further advance shareholder loans (if needed) on a pro rata basis according to their then shareholdings in AG BVI. Further details of the shareholder loan agreement are set out in the announcement of the Company dated 10 February 2014;

- (e) a project management deed dated 10 February 2014 entered into among Hanison Project Management Limited (a wholly owned subsidiary of the Company) (“Hanison PM”) as project manager, AG LP as the shareholder of Eltara Limited and Eltara Limited as the beneficial owner of the Lok Lam Road Property and the Lok Lam Project at a project management fee of 1% on construction cost incurred on the Lok Lam Project and a marketing fee of 0.5% of the gross sale proceeds of the Lok Lam Project, regarding the appointment of Hanison PM as an independent contractor to manage, supervise and control the Lok Lam Project. Further details of the project management deed are set out in the announcement of the Company dated 10 February 2014;
- (f) a provisional agreement for sale and purchase dated 17 November 2014 entered into between Emwell Limited (a wholly owned subsidiary of the Company) (“Emwell”) as vendor and Fondation Investment Limited (“Fondation”) as purchaser, regarding the disposal of the Group’s entire interest in a property which is located at Workshops 1-15 (inclusive) on the 6th Floor of Block A of Shatin Industrial Centre, Nos. 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong (the “SIC Property”) at a consideration of HK\$108,380,000. Further details of the provisional sale and purchase agreement are set out in the announcement of the Company dated 17 November 2014;
- (g) a formal agreement for sale and purchase dated 15 December 2014 entered into between Enwell as vendor and Fondation as purchaser, regarding the disposal of the SIC Property referred to in (f) above;
- (h) a sale and purchase agreement dated 19 March 2015 entered into between Hanison Construction Holdings (BVI) Limited and Sky Champion International Limited as vendors, Mingly Corporation as guarantor and Jinshang International Investment Company Limited as purchaser, regarding the disposal of the Group’s entire interest in a property situated at No. 151 Hollywood Road, Hong Kong at a consideration of HK\$550 million. Further details of the disposal are set out in the joint announcements of the Company and HKRI dated 19 March 2015 and 2 April 2015 and the circular of the Company dated 24 April 2015, respectively;
- (i) a sale and purchase agreement dated 19 May 2015 entered into between S. Sundar and Sons Limited as vendor, Shangzhi Limited as purchaser and Hing Hotels and Properties Ltd as guarantor, regarding the acquisition of the entire equity interest in a property which is located at No.111 High Street, Hong Kong by Shangzhi Limited, an indirect wholly owned subsidiary of the Company, at a consideration of HK\$253,300,000. Further details of the acquisition are set out in the announcement of the Company dated 19 May 2015;

- (j) a sale and purchase agreement (“SPA A”) and a sale and purchase agreement (“SPA B”) dated 16 July 2015, respectively, were entered into between Emwell as vendor and Polytime International Limited as purchaser, regarding the disposal of the Group’s entire equity interest in the properties located at Workshop 17 on the Fifth Floor of Block B, Shatin Industrial Centre, Nos. 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong, and Workshop 18 on the Fifth Floor of Block B, Shatin Industrial Centre, Nos. 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong at a consideration of HK\$5,468,000 and HK\$5,490,000 respectively. Further details of the SPA A and SPA B are set out in the joint announcement of the Company and HKRI dated 16 July 2015;
- (k) the MOU;
- (l) a sale and purchase agreement dated 30 July 2015 entered into between Hanison Construction Holdings (BVI) Limited as vendor, Jianmai Limited as purchaser and Sanney Limited as guarantor, regarding the disposal of the entire equity interest in Wisdom Concept Development Limited, an indirect wholly owned subsidiary of the Company and the sole legal and beneficial owner of the properties in Demarcation District No. 129, Lau Fau Shan, Yuen Long, New Territories, at a consideration of HK\$710,000,000. Further details of the disposal are set out in the joint announcement of the Company and HKRI dated 30 July 2015; and
- (m) the Sale and Purchase Agreement.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Company’s principal place of business in Hong Kong, during normal business hours on any business day from the date of this circular until 14 days hereafter:

- (a) the Sale and Purchase Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the accountants’ report of the Target Company from Deloitte Touche Tohmatsu as set out in Appendix II to this circular;
- (d) the report on the unaudited pro forma financial information of the Enlarged Group from Deloitte Touche Tohmatsu as set out in Appendix III to this circular;

- (e) the property valuation report of Jones Lang LaSalle Limited, the text of which is set out in Appendix IV to this circular;
- (f) the written consents referred to in the paragraph headed “Qualification and Consents of Experts and Experts’ Interests” in this Appendix;
- (g) the annual reports of the Company for the three financial years ended 31 March 2013, 2014 and 2015;
- (h) the material contracts referred to in the section headed “Material Contracts” in this Appendix;
- (i) the circular issued by the Company dated 24 April 2015; and
- (j) this circular.