

# STAR

STAR PROPERTIES GROUP  
(CAYMAN ISLANDS) LIMITED

星星地產集團(開曼群島)有限公司

STOCK CODE: 1560

## GLOBAL OFFERING

*Sole Sponsor*



**Guotai Junan Capital Limited**

*Sole Global Coordinator and Sole Bookrunner*



**Guotai Junan Securities (Hong Kong) Limited**

*Joint Lead Managers*



**Guotai Junan Securities (Hong Kong) Limited**



**GREAT ROC**  
CAPITAL SECURITIES LIMITED  
鴻騰資本證券有限公司

## IMPORTANT

**IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.**



# Star Properties Group (Cayman Islands) Limited 星星地產集團(開曼群島)有限公司

(Incorporated in the Cayman Islands with limited liability)

## GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 56,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 5,600,000 Shares (subject to adjustment)
Number of International Placing Shares	: 50,400,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	: not more than HK\$1.80 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$1.44 per Offer Share
Nominal Value	: HK\$0.01 per Share
Stock Code	: 1560

Sole Sponsor



Guotai Junan Capital Limited

Sole Global Coordinator and Sole Bookrunner



Guotai Junan Securities (Hong Kong) Limited

Joint Lead Managers



Guotai Junan Securities (Hong Kong) Limited



Great Roc Capital Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 8 July 2016 and, in any event, not later than Tuesday, 12 July 2016. The Offer Price will be not more than HK\$1.80 and is currently expected to be not less than HK\$1.44 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.80 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$1.80. If, for any reason, the Offer Price is not agreed by Tuesday, 12 July 2016 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.44 to HK\$1.80 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published on the website of our Company at [www.starproperties.com.hk](http://www.starproperties.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. See "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for further details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus for details. It is important that you refer to that section for further details.

30 June 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.starproperties.com.hk](http://www.starproperties.com.hk).*

Latest time to lodge <b>PINK</b> Application Forms .....	12:00 noon on Tuesday, 5 July 2016
Application lists of the Hong Kong Public Offering open <sup>(2)</sup> .....	11:45 a.m. on Wednesday, 6 July 2016
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms .....	12:00 noon on Wednesday, 6 July 2016
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(3)</sup> .....	12:00 noon on Wednesday, 6 July 2016
Application lists of the Hong Kong Public Offering close .....	12:00 noon on Wednesday, 6 July 2016
Expected Price Determination Date <sup>(4)</sup> .....	Friday, 8 July 2016

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering and the Employee Preferential Offering; and
- the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares

to be published on the websites of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company  
at [www.starproperties.com.hk](http://www.starproperties.com.hk) on or before<sup>(5)</sup> .....

Tuesday, 12 July 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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(2) Announcement of results of allocations in the Hong Kong Public Offering and the Employee Preferential Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.starproperties.com.hk](http://www.starproperties.com.hk) (see "How to Apply for Hong Kong Offer Shares — 10. Publication of Results" in this prospectus for details) from . . . . . Tuesday, 12 July 2016

(3) A full announcement of the Hong Kong Public Offering and the Employee Preferential Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)<sup>(6)</sup> and our Company's website at [www.starproperties.com.hk](http://www.starproperties.com.hk)<sup>(7)</sup> from . . . . . Tuesday, 12 July 2016

Results of allocations for the Hong Kong Public Offering and the Employee Preferential Offering will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function . . . . . Tuesday, 12 July 2016

Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering and the Employee Preferential Offering on or before<sup>(5)</sup> . . . . . Tuesday, 12 July 2016

Despatch of refund cheques in respect of wholly or partially unsuccessful or wholly successful (if applicable) applications pursuant to the Hong Kong Public Offering and the Employee Preferential Offering on or before . . . . . Tuesday, 12 July 2016

Dealings in Shares on the Hong Kong Stock Exchange to commence on . . . . . Wednesday, 13 July 2016

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*Notes:*

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 July 2016, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus for details.
- (3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus for details.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (4) The Price Determination Date is expected to be on or around Friday, 8 July 2016 and, in any event, not later than Tuesday, 12 July 2016. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and our Company by Tuesday, 12 July 2016, the Global Offering will not proceed and will lapse.
- (5) **Share certificates are expected to be issued on Tuesday, 12 July 2016 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.**
- (6) The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the Hong Kong Stock Exchange’s website [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.starproperties.com.hk](http://www.starproperties.com.hk).
- (7) None of the website or any of the information contained on the website forms part of this prospectus.

You should read carefully “Underwriting”, “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a property developer principally engaging in property development of industrial buildings for sale or rental in Hong Kong. Our businesses are operated under two main business segments:

- **property development:** development of industrial development sites, redevelopment or enhancement (via alterations and additions works) of existing industrial buildings for the purposes of increasing their capital value and realising such increased capital value from sale of properties; and
- **property investment:** investment in properties with good capital appreciation potential and rental value, and leasing of such properties retained for the generation of attractive recurring rental income.

Leveraging on the expertise and experience of our Group's management, since the establishment of our operations in 2010 and during the Track Record Period, we completed one newly built industrial building, namely The Galaxy, and had successfully enhanced its capital value, the completion of which took place in August 2014, and we also commenced the construction of another newly built industrial building, namely The Star, in June 2013 and its completion is expected to take place in the fourth quarter of 2016. Given that (a) we focus on industrial and commercial properties, the operation flow of our property development projects are similar; through the implementation of our property projects of The Galaxy and The Star, we have accumulated experience in identification and acquisition of development sites, obtaining pre-construction approval, project planning and design (including choosing and engaging architectural and engineering firms), project execution and supervision (including engaging contractors to undertake foundation and superstructure construction works), as well as pre-sales and marketing, (b) our Directors and senior management have relevant expertise and experience in our business; (c) we have built up a network of customers and suppliers, we believe we possess the necessary qualifications and will be competent to further develop our Group's business by carrying out future property development projects. Our Directors consider that The Galaxy and The Star have helped us to establish a foothold in property development in Hong Kong, in particular in the private industrial market. The Galaxy and The Star signify our strength in quality and design, enabling us to stand out as a property developer with vision and expertise in the private industrial market. According to the JLL Report, in terms of the private industrial market, our Group ranked fifth in terms of GFA of the properties completed since 2011.

All of the properties held by our Group as at the Latest Practicable Date were for industrial uses. It is our intention to convert the Yue Fung Property and redevelop the CWK Property into commercial properties with a focus on studio offices. We target to commence property enhancement works on the Yue Fung Property and redevelopment of the CWK Property in the fourth quarter and the third quarter of 2016, respectively.

For the three years ended 31 December 2015, the revenue of our Group amounted to nil, approximately HK\$611.8 million and approximately HK\$78.7 million respectively. A breakdown of our Group's revenue by business segment is set out below:

	For the year ended 31 December					
	2013		2014		2015	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Property development . . . . .	—	—	611,765	100.0	73,513	93.4
Property investment . . . . .	—	—	46	0.0	5,159	6.6
<b>Total revenue . . . . .</b>	—	—	611,811	100.0	78,672	100.0



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## SUMMARY

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After the completion of construction of The Galaxy, our first completed project, in August 2014, delivery of the sold workshop units of The Galaxy took place in the third and fourth quarters of 2014 and revenue in respect of the sale of these sold workshop units was recognised upon such delivery in accordance with the relevant accounting standards. As such, no revenue was recorded by our Group for the year ended 31 December 2013.

During the Track Record Period, we derived our profit mainly from sale of workshop units of The Galaxy. For the three years ended 31 December 2015, our Group recorded a net profit of approximately HK\$0.2 million, approximately HK\$196.1 million and approximately HK\$37.1 million respectively. During the same period, we recorded fair value gain of investment properties of approximately HK\$5.1 million, approximately HK\$12.0 million and approximately HK\$16.4 million respectively. Assuming such fair value gains were excluded, our Group would record an adjusted net loss of approximately HK\$4.9 million for the year ended 31 December 2013 and adjusted net profits of approximately HK\$184.1 million and approximately HK\$20.7 million for the two years ended 31 December 2015 respectively, the profit requirements under Rule 8.05(1)(a) of the Listing Rules would still be met.

We had completed only one property development project, namely, The Galaxy, since the establishment of our operation in 2010 and up to the Track Record Period. In this connection, during the Track Record Period, we derived our profit mainly from sale of workshop units of The Galaxy. Going forward, we expect that a substantial amount of revenue would be generated from the sale of units of The Star, of which the completion of construction and delivery of the sold units are expected to take place between the last quarter of 2016 and the first quarter of 2017 and a more stable income stream will be achieved by our Group as we anticipate an increase in contribution to our profit from rental as a source of recurring income as a result of the completion of the Yue Fung Project and the CWK Project.

### OUR BUSINESS MODEL

Our businesses are operated under two main business segments: (i) property development and (ii) property investment. During the Track Record Period, we operated our property development business as our major business segment and a majority of our revenue was generated from our property development business, while the remaining portion of our revenue was contributed by our property investment business. Going forward, we expect that our revenue from our property investment business will increase when we commence to generate rental income from the Yue Fung Project after its completion.

After acquisition of industrial properties such as industrial development sites and aging industrial buildings, we either (i) develop industrial development sites or redevelop industrial buildings into newly built industrial buildings or commercial buildings; or (ii) carry out alterations and additions works on existing industrial buildings in order to enhance their capital and rental value.

With an aim to maximising the return on our properties and achieving a more stable income stream for our Group, depending on the then market conditions, we may sell part of our properties mainly through property agencies engaged by us while we retain some of them for the purposes of generating recurring rental income. Prior to the commencement of the property redevelopment or enhancement (via alterations and additions works), we may lease out the existing properties in order to generate rental income. Upon completion of the property redevelopment or enhancement works on our property projects, we may realise the properties at an enhanced capital value or lease them out at an increased rental if such properties have good capital appreciation potential. In determining the selling prices of our properties, we take into account various considerations such as the prices of properties with similar quality in surrounding areas, construction costs and investment return. We generally retain the parking spaces of our completed projects which we believe have a good potential for capital appreciation and lease them out for recurring rental income. If the return is attractive, we may consider realising the increased capital value of such parking spaces by disposing of them in the market. For sale of properties, we generally recognise revenue from the sale of a property upon completion of the construction and delivery of the property to the purchaser.

#### Property development

We derive revenue under this segment from the sales of properties, which has undergone property development. Small to medium property developers, including our Group, generally adopt a systematic approach in property development model by way of replenishment of projects. Constrained by relatively limited financial resources, small to medium property developers do not accumulate a large pool of development sites. They tend to focus on one or a few development projects at a time, and acquire new

## SUMMARY

projects for development only when they have sufficient financial resources. Under this business model, small to medium property developers will generally (i) start to identify new development site when working on existing projects; and (ii) acquire new development site after financing sources have been identified. See “Business — Our Development Projects — Sources of funding for our four property development projects” in this prospectus for details.

### Property investment

We invest in investment properties with good capital appreciation potential and rental value, and leasing of such properties retained for the generation of recurring rental income. During the Track Record Period, we acquired the Yue Fung Property as one of our investment properties for rental and capital gain purposes. As at the Latest Practicable Date, the Yue Fung Property was an industrial property which we intend to convert into a commercial building for future rental and capital gain purposes under the Yue Fung Project.

See “Business — Our businesses” beginning on page 112 of this prospectus for details of our property development business and our property investment business.

### OUR PROPERTY PORTFOLIO

Our portfolio of properties comprises industrial properties in Hong Kong, namely The Star, the Yue Fung Property, the CWK Property and certain unsold workshop units of The Galaxy and The Galaxy Parking Spaces. As at 30 April 2016, our property portfolio had an aggregate GFA of approximately 139,191 sq.ft. and was valued at approximately HK\$1.3 billion by the Property Valuer. See “Appendix III — Property Valuation Report” in this prospectus for further details.

The table below sets out the details of our property portfolio as at 30 April 2016:

	GFA as at 30 April 2016 <i>(sq.ft.)</i>	Independent valuation as at 30 April 2016 <i>(HK\$ million)</i>	Condition/nature
<b>Investment properties</b>			
<b>The Galaxy</b>			
20 parking spaces on the G/F and 1/F of The Galaxy	N/A <sup>(Note)</sup>	28.7	Currently leased to various Independent Third Parties
<b>The Star</b>			
19 parking spaces on the G/F and 1/F of The Star	N/A <sup>(Note)</sup>	23.4	Under construction
<b>Yue Fung Property</b>	93,100	473.0	Under development, currently leased to various Independent Third Parties
<b>Properties held for sale</b>			
<b>The Galaxy</b>			
10 parking spaces on the 2/F of The Galaxy	N/A <sup>(Note)</sup>	13.2	Currently leased to various Independent Third Parties and have been contracted for sale pursuant to various sale and purchase agreements entered into in December 2015 and completion of such sales is expected to take place in November 2016 and December 2016.
Six workshops on 6/F, 12/F, 23/F, 25/F and 28/F of The Galaxy	5,112	26.0	Six workshop units remained unsold
<b>The Star</b>			
284 units	N/A <sup>(Note)</sup>	576.0	Under construction, pre-sale of all units (except the parking spaces and three street level units)
<b>CWK Property</b>	40,979	193.0	Under development, currently leased to various Independent Third Parties
	<u>139,191</u>	<u>1,333.3</u>	

Note: No GFA is attributable to parking spaces.

# SUMMARY

## OUR DEVELOPMENT PROJECTS

The table below sets out the details of our four development projects:

Name of project	Property type upon completion of development	Total GFA upon completion of the relevant project (sq.ft.)	Actual/expected date of project execution and supervision	Actual/expected date of commencement of pre-sale or sale	Year of completion or proposed completion	Status	Amount of development costs (excluding finance costs) incurred	Amount of development costs (excluding finance costs) expected to be incurred	Amount of revenue generated during each year of the Track Record Period			Source of funding utilised by our Group to finance the relevant project
									2013	2014	2015	
			HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	
The Galaxy	Newly built industrial building	152,254	First quarter of 2012	February 2013	August 2014	Completed	360.1	—	—	611.8	73.5	the acquisition cost was fully financed by shareholder's loan; and the construction cost was financed partly by bank loan obtained by us and the remaining portion was financed by our internally generated funds such as proceeds from the pre-sale of The Galaxy
The Star	Newly built industrial building	94,967	Second quarter of 2013	Third quarter of 2015	October 2016	Under construction	304.6	180.5	—	—	—	the acquisition cost was partly financed by shareholders' loan and partly by bank borrowings; and the construction cost was financed partly by bank loan obtained by us and partly by our internally generated funds such as proceeds from the pre-sale of The Star
Yue Fung Project	Commercial building (studio offices)	93,100 (Note 1)	Fourth quarter of 2016	N/A (Note 2)	Third quarter of 2018	Under development	470.9	175.1	—	—	—	the acquisition cost was partly financed by shareholders' loan and partly by bank borrowings; and the construction costs will be financed mainly by bank loan which has been obtained by us and partly by our internally generated funds
CWK Project	Commercial building (studio offices)	154,973	Third quarter of 2016	Second quarter of 2018	Third quarter of 2019	Under development	192.9	599.7 (Note 3)	—	—	—	the acquisition cost was partly financed by shareholders' loan and partly by bank borrowings; and the construction costs will be financed partly by bank loan to be obtained by us and partly by our internally generated funds including proceeds from the pre-sale of the CWK Project
							<u>1,328.5</u>	<u>955.3</u>	<u>—</u>	<u>611.8</u>	<u>73.5</u>	
							<u>495,294</u>					

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## SUMMARY

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*Notes:*

1. The total GFA of the Yue Fung Property will remain unchanged before and after completion of the Yue Fung Project which involves carrying out of alternations and additions works on the existing property.
2. Yue Fung Property is classified as our investment property.
3. This does not include the land premium expected to be incurred. The amount of land premium was being assessed by the Lands Department as at the Latest Practicable Date.

See “Business — Our development projects” beginning on page 115 of this prospectus for details of our four property development projects.

### OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are crucial to our success and essential for our future growth: (a) our property development projects are located in areas with attractive development potential in Hong Kong; (b) ability to secure new projects and source development sites in Hong Kong; (c) we have an experienced and stable management team with strong business acumen and can respond swiftly to market demand; (d) effective project management and stringent quality control; and (e) we have established business relationships with property agencies, through which we have acquired quality properties for redevelopment and investment. See “Business — Our Competitive Strengths” beginning on page 97 of this prospectus for details.

### OUR BUSINESS STRATEGIES

To expand our market share in property development and property investment of newly built industrial buildings and commercial buildings for sale or rental in Hong Kong, we intend to implement the following business strategies: (a) continue to pursue property development opportunities in areas with attractive development potential; (b) position ourselves in the market of private industrial and commercial buildings, which has a stable demand; and (c) continue to enhance our brand names. See “Business — Our Business Strategies” beginning on page 101 of this prospectus for details.

We are committed to the long-term expansion and development of our Group’s business after the Listing. We have long-term strategies and future plans to continue to expand our project pipeline by acquisition of more suitable development sites(s). See “Future Plans and Use of Proceeds” and “Business — Our Business Strategies” in this prospectus for details. To implement such strategies and plans, we intend to apply 70% of the net proceeds from the Global Offering for the acquisition of potential development site(s). Moreover, on 17 March 2016, we obtained a banking facility granting an aggregate sum of approximately HK\$430.0 million which will be available to be drawn down upon Listing. As at 30 April 2016, our amounts due to Directors amounted to approximately HK\$383.0 million, of which approximately HK\$193.0 million is intended to be repaid by drawing down part of the aforesaid banking facility upon Listing. As at 30 April 2016, our amounts due to related companies of approximately HK\$23.2 million is intended to be repaid by drawing down part of the aforesaid banking facility upon Listing. As a result, it is expected that an unutilised amount of approximately HK\$213.8 million from the above banking facility will be available upon Listing for, among others, the acquisition of potential development site(s). With such expected funding from the net proceeds from the Global Offering and available bank facilities coupled with the expected additional bank financing pursuant to the maximum exposure for property project loans acceptable to the Hong Kong Monetary Authority for project acquisition purposes, we expect to acquire at least one to two suitable development site(s) with a total acquisition price of not more than approximately HK\$522.6 million, which is in line with the price range of our current potential acquisition target development site(s) as well as that of the development sites acquired by us during the Track Record Period. See “Business — Our Business Strategies — Continue to pursue property development opportunities in areas with attractive development potential” in this prospectus for details.

The remaining balance of amounts due to Directors, namely Mr. Joe Chan and Mr. Jack Lam, in the sum of approximately HK\$190 million will be capitalised in proportion to their respective shareholding interests in our Company upon Listing. In addition, our Controlling Shareholders’ commitment to our long-term development and prospectus is further demonstrated by their irrevocable non-disposal undertaking not to, among others, cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company for a period of 36 months from the Listing Date. Such undertaking is voluntary in nature. See “Underwriting” in this prospectus for details.

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## SUMMARY

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### OUR SUPPLIERS

Our suppliers primarily include our consultants, such as architectural firms, engineering firms and surveying firms, as well as contractors, ground investigation contractor, property agencies, interior design firms and law firms. Our five largest suppliers accounted for 91.8%, 90.9% and 85.1% of our total cost incurred, for the three years ended 31 December 2015 respectively. Our top five suppliers during the Track Record Period comprised contractors, architectural firms, vendors of development sites, ground investigation contractor, interior design firm, law firm, and bank loan consultancy services provider. The length of our relationship with our five largest suppliers during the Track Record Period ranged from one year to four years. Most of them were in general engaged by us on project-basis, the engagements of which generally lasted for more than a year. For the two years ended 31 December 2014, Shun Shing, an associate of Mr. Joe Chan, was one of our five largest suppliers. See “Business — Our Suppliers” beginning on page 148 of this prospectus for details.

### OUR CUSTOMERS

Our top five customers during the Track Record Period were individuals and corporations principally engaged in property holding and all of them were one-off purchasers for the completed units of The Galaxy. For the three years ended 31 December 2015, revenue generated from sales to our top five customers in aggregate amounted to nil, approximately HK\$178.8 million and approximately HK\$62.3 million respectively, representing nil, approximately 29.2% and approximately 79.2% of our total revenue, and revenue generated from sales to our largest customer for the respective year amounted to nil, approximately HK\$41.6 million and approximately HK\$40.6 million, respectively, representing nil, approximately 6.8% and approximately 51.6%, respectively, of our total revenue. See “Business — Our Customers” on page 154 of this prospectus for details.

### RISK FACTORS

We believe that there are certain risks involved in an investment in the Shares. See “Risk Factors” beginning on page 32 of this prospectus for further details of the risks we are exposed to. Some of the risks which are considered to be material by our Directors include: (a) we may not be able to identify and acquire development sites and/or existing industrial buildings which are suitable and desirable for our future development; (b) we had limited number of development projects during the Track Record Period, failure to identify and acquire more development projects in future may affect the prospects and profitability of our Group and our Group’s current performance may not be indicative of our Group’s future performance; (c) we may be unable to obtain, or may suffer delays in obtaining, the relevant government approvals for our property development projects; (d) during the construction period or in the event that the CWK Property will not be demolished and we choose to carry out property enhancement on the CWK Property via alterations and additions works, our financial condition and results of operations may be affected as a result of the expiry of the existing rental agreements; (e) during the Track Record Period, we generated revenue principally from the sale of properties. Our operating results depend on a number of factors including the schedule of our property development and the timing of property sales; (f) we may not be able to complete or deliver our property development projects on time, on budget, or at all; (g) we recorded net current liabilities as at 31 December 2013, 31 December 2015 and 30 April 2016. We cannot assure you that we will not experience net current liabilities in the future; (h) we rely on external consultants and contractors for the construction-related works of our property development projects, their failure to provide satisfactory services or quality of work may affect the quality, safety and timeliness of our property delivered; (i) our results of operations may be adversely affected by increase in construction costs such as labour and material costs and use of sub-standard construction materials; (j) the illiquidity of properties may limit our ability to respond to adverse changes in the performance of our property investment business; (k) our results may fluctuate due to increases or decreases in the appraised fair value of our investment properties and the appraised value of our properties may differ from the actual realisable value and is subject to change.

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), Mr. Joe Chan, through Star Properties Holdings (BVI), a company directly wholly-owned by him, will indirectly own 68.9% of the issued share capital of our Company. Accordingly, Mr. Joe Chan and Star Properties Holdings (BVI) will be our Controlling Shareholders. See “Relationship with Controlling Shareholders” beginning on page 186 and “Substantial Shareholders” on page 199 of this prospectus for details.

## SUMMARY

### SUMMARY OF FINANCIAL AND OPERATING INFORMATION

#### Selected combined statements of profit or loss and other comprehensive income

	For the year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue . . . . .	—	611,811	78,672
Cost of sales and services . . . . .	—	(315,548)	(42,709)
Gross profit . . . . .	—	296,263	35,963
Profit before tax . . . . .	16	232,728	42,130
Profit and total comprehensive income for the year . . . . .	228	196,090	37,102

#### Selected combined statements of financial position

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets . . . . .	20,001	35,251	524,610
Current assets . . . . .	474,248	630,566	620,958
Non-current liabilities . . . . .	—	18,722	21,530
Current liabilities . . . . .	490,580	538,475	977,583
Net current (liabilities) assets . . . . .	(16,332)	92,091	(356,625)

#### Selected combined statements of cash flows

	For the year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) generated from operating activities . . . . .	(113,707)	44,142	(87,222)
Net cash used in investing activities . . . . .	(90,065)	(27,990)	(465,338)
Net cash generated from financing activities . . . . .	200,576	4,193	537,110
Net (decrease) increase in cash and cash equivalents . . . . .	(3,196)	20,345	(15,450)
Cash and cash equivalents at beginning of the year . . . . .	4,019	823	21,168
Cash and cash equivalents at end of the year . . . . .	<u>823</u>	<u>21,168</u>	<u>5,718</u>

For the year ended 31 December 2013 and the year ended 31 December 2015, our Group had net cash used in operating activities of approximately HK\$113.7 million and HK\$87.2 million respectively. Our Group net cash used in operating activities of approximately HK\$87.2 million for the year ended 31 December 2015 was mainly as a result of the profit before tax of approximately HK\$42.1 million generated in the same year, after major adjustments for (i) increase in stakeholders' account of approximately HK\$51.4 million attributable to deposit received from pre-sales of The Star; and (ii) increase in properties held for sale of approximately HK\$36.0 million due to increase in costs capitalised for The Star and CWK Property.

We recorded negative operating cash flow for the year ended 31 December 2013 mainly because we did not record any operating cash inflow from revenue recognition from sales of properties while we incurred operating cash outflow for the construction of The Galaxy and The Star in the same year.

We recorded net current liabilities of approximately HK\$16.3 million, HK\$356.6 million and HK\$362.0 million as at 31 December 2013, 31 December 2015 and 30 April 2016, respectively. The net current liabilities of approximately HK\$16.3 million as at 31 December 2013 was mainly due to the receipts in advance from workshop units pre-sold and the use of the short-term bank borrowings to finance the development of The Galaxy. The net current liabilities of approximately HK\$356.6 million as at 31 December 2015 was primarily due to (i) the balance of long-term bank loans due after one year of approximately HK\$415.7 million pursuant to a loan agreement under which the bank is entitled to repayment on demand; and (ii) the amounts due to Directors of approximately HK\$366.0 million of which approximately HK\$190.0 million will be capitalised upon Listing and we have the right to defer the repayments of the remaining balance. The increase of net current liabilities to approximately HK\$362.0 million as at 30 April 2016 was primarily due to the increase in trade and other payables of

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## SUMMARY

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approximately HK\$84.3 million and the amounts due to Directors of approximately HK\$17.0 million for the construction of The Star, which was partially offset by increase in the properties held for sale of approximately HK\$57.5 million due to cost capitalised for The Star.

See “Financial Information — Liquidity and Capital Resources” beginning on page 222 in this prospectus for details.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods/as at each of the dates indicated:

	For the year ended 31 December		
	2013	2014	2015
Gross profit margin (%) . . . . .	—	48.4	45.7
Net profit margin (%) . . . . .	—	32.1	47.2
Return on equity (%) . . . . .	6.2	180.5	25.3
Return on total assets (%) . . . . .	0.05	29.5	3.2

	As at 31 December		
	2013	2014	2015
Current ratio . . . . .	1.0	1.2	0.6
Gearing ratio (%) . . . . .	6,531.0	205.3	345.8
Net debt to equity ratio (%) . . . . .	6,508.6	185.8	341.9
Debt-to-asset ratio (%) . . . . .	48.3	30.3	43.7

### PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, valued the market values of our property interests as at 30 April 2016. See “Appendix III — Property Valuation Report” in this prospectus for further details. In connection with the valuation, the Property Valuer applied the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. The direct comparison approach is used to value our property interests held for investment, sale, redevelopment, under construction and contracted to be disposed. In conducting its valuation, the Property Valuer has made certain assumptions. You are advised that the appraised value of our property interests should not be taken as their actual realisable value or a forecast of their realizable value. See “Risk Factors — Risks Relating to Our Business — Our results may fluctuate due to increases or decreases in the appraised fair value of our investment properties and the appraised value of our properties may differ from the actual realisable value and is subject to change” beginning on page 36 of this prospectus for details.

### FUTURE PLANS AND USE OF PROCEEDS AND REASONS FOR LISTING

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) (the “Net Proceeds”), assuming an Offer Price of HK\$1.62, being the mid-point of the indicative Offer Price range, will be approximately HK\$67.9 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

- approximately HK\$47.5 million or approximately 70% of the Net Proceeds for acquiring suitable development site(s) in Hong Kong to replenish our land bank for our property development business. Our Directors confirm that, as at the Latest Practicable Date, we had not identified any target development sites for future development;
- approximately HK\$13.6 million or approximately 20% of the Net Proceeds for repayment of debt (such debt comprising a bank loan in the amount of approximately HK\$430.0 million obtained by us which was incurred to finance our business and carries interest of HIBOR+3% per annum and maturity of 30 months from the Listing Date); and

## SUMMARY

- approximately HK\$6.8 million or approximately 10% of the Net Proceeds will be used as general working capital of our Group.

To the extent that the Net Proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. To the extent that the Net Proceeds are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we may hold such funds in short term deposits with banks in Hong Kong. See “Business — Our Business Strategies” beginning on page 101 and “Future Plans and Use of Proceeds” beginning on page 251 of this prospectus for details.

We believe that the Listing represents an important step to implement our business strategies. More importantly, due to the capital intensive nature of property development business, and consistent with the practice of other small to medium property developers, we adopt a selective approach in developing one project at a time. Having been successful in completing The Galaxy and smooth execution of The Star during the Track Record Period, which was approaching completion as at the Latest Practicable Date, our Directors are of the view that it is in the interests of the Company and its shareholders to adopt a more proactive approach by increasing the number of projects in execution at one time; to achieve so, replenishment of development sites is necessary and only made feasible with the Net Proceeds raised from the Global Offering. Through the Listing, we believe our Group will be able to maintain its competitiveness and maximize the interests of the shareholders of our Company by maintaining a continuous growth in our business. In addition, through the Listing, not only we can raise funds from the Net Proceeds from the Global Offering and apply them for the above uses, we can also gain access to capital market for future secondary fund raising for our further expansion plans as and when necessary through the issuance of equity and/or debt securities, with relatively lower financing cost as compared with bank financing obtained by a private company. Following the Listing, our Group will gain additional leverage in obtaining financing with relatively more favourable terms and higher bargaining power in negotiating terms with landlords and/or suppliers and/or business partners. As such, we believe that we will be able to acquire more projects and create a more active flow of development projects, which in turn creates a more stable flow of income. We also consider that the Listing, which itself is a form of complimentary advertising, will enhance our Group’s corporate profile, market reputation and brand awareness which will strengthen our customers’ confidence in our Group, creates more opportunities of cooperation with potential joint venture partners as well as increases our bargaining power in the negotiation of future cooperation arrangement, and in turn boosts our sale of properties.

### OFFERING STATISTICS

The table sets out the offering statistics of the Global Offering, assuming that the Global Offering has been completed and 56,000,000 Shares in issue without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

	<b>Based on the minimum indicative Offer Price of HK\$1.44 per Offer Share</b>	<b>Based on the mid- point indicative Offer Price of HK\$1.62 per Offer Share</b>	<b>Based on the maximum indicative Offer Price of HK\$1.80 per Offer Share</b>
Market capitalisation of our Shares expected to be in issue following the completion of the Global Offering and the Capitalisation Issue ( <i>Note 1</i> ) . . . . .	HK\$322.6 million	HK\$362.9 million	HK\$403.2 million
Unaudited pro forma adjusted combined net tangible asset value per Share ( <i>Note 2</i> ) . . .	HK\$0.92	HK\$0.96	HK\$1.00

*Notes:*

- (1) The calculation of market capitalisation is based on 224,000,000 Shares expected to be in issue immediately following the completion of the Global Offering and the Capitalisation Issue.
- (2) The estimated net proceeds from the Global Offering are based on 56,000,000 new Shares to be issued at a minimum Offer Price of HK\$1.44 per Share, a midpoint price of HK\$1.62 per Share or a maximum Offer Price of HK\$1.80 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by our Group subsequent to 31 December 2015.



## SUMMARY

- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per share is arrived at on the basis of 224,000,000 Shares in total, assuming that the issue of 56,000,000 new Shares and the Shares to be issued pursuant to the Capitalisation Issue had been completed on 31 December 2015.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2015.
- (5) The unaudited pro forma adjusted combined net tangible assets of our Group in the table above has not been adjusted to show the effect of the Capitalisation. The unaudited pro forma adjusted combined net tangible assets of our Group after taking into account the Capitalisation is set out below. The effect per Share is based on 224,000,000 Shares as set out in note (1) above.

	<b>Based on the minimum indicative Offer Price of HK\$1.44 per Offer Share</b>	<b>Based on the midpoint indicative Offer Price of HK\$1.62 per Offer Share</b>	<b>Based on the maximum indicative Offer Price of HK\$1.80 per Offer Share</b>
Unaudited pro forma adjusted combined net tangible assets after taking into account of the Capitalisation	HK\$395.5 million	HK\$405.3 million	HK\$415.0 million
Unaudited pro forma adjusted combined net tangible assets per Share after taking into account of the Capitalisation	HK\$1.77	HK\$1.81	HK\$1.85

Assuming the Offer Price is HK\$1.62 per Share, being the mid-point of the maximum Offer price of HK\$1.80 per Share and minimum Offer Price of HK\$1.44 per Share, the unaudited pro forma adjusted combined net tangible assets (after taking into account the Capitalisation) is approximately HK\$405.3 million, whereas the unaudited pro forma adjusted combined net tangible assets (after taking into account the Capitalisation) per Share is approximately HK\$1.81 on the basis of 224,000,000 shares as set out in note 3 above. The Offer Price of HK\$1.62 per Share represents a 12% discount to HK\$1.81 being the unaudited pro forma adjusted combined net tangible assets (after taking into account the Capitalisation) per Share.

### DIVIDEND

No dividend had been paid or declared by our Company since its date of incorporation. The dividends declared and paid by Bright Port, one of our wholly-owned subsidiaries, to its then shareholders amounted to HK\$90.0 million for the year ended 31 December 2014. Our Company currently does not have a fixed dividend policy.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Subject to the Companies Law and the Articles of Association, our Directors may under certain circumstances, recommend at its own discretion a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will, under certain circumstances, be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and, subject to the Companies Law and Articles of Association, available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

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## SUMMARY

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### LISTING EXPENSES

Our Group expect that the total listing expenses, which is non-recurring in nature, will amount to approximately HK\$22.8 million (based on the mid-point of the indicative Offer Price range of HK\$1.62 per Offer Share and 56,000,000 Offer Shares). During the Track Record Period, approximately HK\$0.9 million was recognised in our combined statements of profit or loss and other comprehensive income. Our Group expect to recognise approximately HK\$14.2 million in the combined statements of profit or loss and comprehensive income for the year ending 31 December 2016; while approximately HK\$7.7 million to be directly attributable to the issue of new Shares and accounted for as a deduction from equity upon successful listing under the relevant accounting standards. Accordingly, the financial results of the Group for the year ending 31 December 2016 are expected to be affected by the estimated expenses in relation to the Listing. Such listing expenses is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 December 2016 and the amount to be deducted from the Group's capital is subject to change.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business operations have remained stable after the Track Record Period. Pursuant to two sale and purchase agreements entered into on 27 July 2015 and a sale and purchase agreement entered into on 5 November 2015, we agreed to sell three workshop units of The Galaxy. Completion of these sale and purchase agreements in respect of these workshop units took place in January 2016. As at the Latest Practicable Date, we had obtained additional banking facility to repay the amounts due to Directors upon Listing, and had obtained an indicative offer from the relevant bank to remove the repayable on demand clause for certain portion of loan in the event of successful listing, which enables such amount to be classified as non-current liabilities. Upon Listing, approximately HK\$190.0 million of the amounts due to Directors will be capitalised.

We expect that our existing property development projects, The Star, the Yue Fung Project and the CWK Project will be completed in the fourth quarter of 2016, third quarter of 2018 and the third quarter of 2019 respectively. On 27 May 2016, we received a letter from a bank which in-principle agreed to grant additional banking facilities to our Group for (i) 100% of the land premium of the CWK Property as confirmed by Lands Department or 50% of the land value of the CWK Property after lease modification, whichever is lower; and (ii) 100% of the construction costs of the CWK Project subject to final approval of the bank's management and satisfactory financial due diligence and certain documentary requirements. Details of which are set out in "Business — Our Development Projects" beginning on page 115 of this prospectus.

Despite the recent modest downturn in the Hong Kong residential property market, the private industrial and studio office markets have remained stable primarily due to the shortage in the supply of newly built industrial buildings and commercial buildings in non-CBD areas. In the event that there is any material adverse change to the Hong Kong property market as a whole, we may defer our relevant development plan to a later date. In line with our business practices, we will monitor the market condition from time to time to formulate and, if necessary, adjust our development plan to suit the market conditions. In view of the foregoing, we are of the view that the recent modest downturn of the Hong Kong residential property market will not have any material impact on our Group's development plan.

Our Directors have confirmed that, since 31 December 2015 and up to the date of this prospectus, there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position or prospects of the Group.

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## SUMMARY

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### **THE POTENTIAL IMPACT OF THE EXPIRY OF REVITALISATION MEASURES APPLICATION PERIOD ON OUR GROUP'S BUSINESS AND FUTURE PROSPECTS**

For details of the Revitalisation Measures, see “Regulatory Overview — Regulatory Overview of the Hong Kong Property Industry — (ix) Revitalisation Measures” in this prospectus. During the Track Record Period, we generated a majority of our revenue from The Galaxy and we expect that we will generate a majority of our revenue from The Star for the two years ending 31 December 2017 upon the anticipated delivery of the sold workshop units of The Star in the same period. As neither The Galaxy nor The Star utilised the Revitalisation Measures, the implementation of, and the subsequent Expiry Of Revitalisation Measures Application Period had no impact on these two development projects.

The Yue Fung Special Waiver Application under the Revitalisation Measures was made in October 2015 prior to the Expiry Of Revitalisation Measures Application Period. As at the Latest Practicable Date, we had not yet obtained the approval of the Yue Fung Special Waiver Application. We received a letter on 5 April 2016 from the Lands Department (the “Reply Letter”) notifying that such application has been circulated to the concerned Government departments for comments. Our Company’s legal advisers, Vincent T.K. Cheung Yap & Co., are of the view that there would be no legal impediments for us to obtain the approval of the Yue Fung Special Waiver Application from the Lands Department, subject to certain future events such as the introduction of any relevant new laws, rules and regulations. See “Business — Our Development Projects — Projects under development” in this prospectus for details of our legal adviser’s view. Based on the above, our Directors consider that the Expiry Of Revitalisation Measures Application Period has no impact on the Yue Fung Project. See “Business — Our Development Projects — Projects under development — Yue Fung Project” commencing on page 122 of this prospectus for details of alternative plan if the approval of the Yue Fung Special Waiver Application is not obtained, and comparative analysis of the Yue Fung Project between conversion into an upgraded industrial building without the special waiver and the conversion into a commercial building under the special waiver.

As for the CWK Lease Modification Application, as advised by Vincent T.K. Cheung, Yap & Co., our Company’s legal advisers, given that the DLC had already approved the CWK Lease Modification Application on 13 April 2016 and we accepted the provisional basic terms in respect of the lease modification on 5 May 2016, other than the issue of a possible disagreement on the amount of land premium, there should not be legal impediments for us to obtain the lease modification for the CWK Project from the Lands Department. See “Business — Our Development Projects — Projects under development — CWK Project” commencing on page 128 of this prospectus for details of our legal adviser’s view. Based on the above, our Directors consider that the Expiry of Revitalisation Measures Application Period has no impact on the CWK Project.

Going forward, our Directors believe that our future business operations will not be materially adversely affected by the Expiry Of Revitalisation Measures Application Period for a number of reasons, including (i) the private industrial and studio office markets have remained stable, underpinned by the relatively stable demand and relatively limited supply of such properties; (ii) we will continue to identify development opportunities that are similar to our development projects such as The Galaxy and The Star as we believe that there is a stable supply of old industrial buildings with good development potential available for redevelopment into newly built industrial buildings; (iii) we believe that there is a good potential in the development of studio offices in industrial and “OU(B)” zones subject to the Hong Kong Government’s initiatives and increasing demand for the studio office market; and (iv) we will continue to identify development opportunities that are similar to the CWK Project. See “Business — Our Development Projects — Yue Fung Project” commencing on p. 122 for further details of the reasons.

### **NON-COMPLIANCE INCIDENTS**

During the Track Record Period, some of our subsidiaries incorporated in Hong Kong failed to lay the audited accounts before the respective general meetings within nine months from the ending date of the accounting reference period pursuant to section 122 of the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance. For details of the incidences of non-compliance and internal control measures being adopted, see “Business — Legal Compliance” in this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Application Form(s)”	<b>WHITE, YELLOW and PINK</b> application form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 27 June 2016 and with effect from the Listing Date, and as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of directors of our Company
“Bright Port”	Bright Port Holdings Limited (富亨控股有限公司), a limited liability company incorporated in Hong Kong on 11 November 2010 and an indirect wholly-owned subsidiary of our Company. It is a project company which was set up for the development of The Galaxy
“Bright Port (BVI)”	Bright Port (BVI) Limited, a company incorporated in BVI on 10 March 2016 with limited liability and an indirect wholly-owned subsidiary of our Company
“Business Day” or “business day”	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Capitalisation”	the capitalisation of HK\$190,000,000 due to directors on a pro rata basis with respect to their respective beneficial Shareholdings in the Company immediately upon the Listing
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to “Statutory and General Information — A. Further information about our Group — 3. Extraordinary general meeting of our Shareholders on 27 June 2016” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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## DEFINITIONS

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Celestial Design”	Celestial Design Limited, a company incorporated in BVI on 26 August 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
“Company” or “our Company”	Star Properties Group (Cayman Islands) Limited (星地產集團(開曼群島)有限公司), the holding company of our Group after the Reorganisation and the listing vehicle for the Listing, which is an exempted company incorporated in the Cayman Islands with limited liability on 4 March 2016
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and for the purpose of this prospectus only, refers to Star Properties Holdings (BVI) and Mr. Joe Chan
“Crystal Cay”	Crystal Cay Assets Ltd., a company incorporated in BVI on 27 March 1996 with limited liability and wholly-owned by Galaxy Properties (BVI)
“Crystal Harbour”	Crystal Harbour Holdings Limited, a company incorporated in BVI on 24 January 1997 with limited liability and wholly-owned by Mr. Joe Chan
“CWK Lease Modification Application”	our application for the proposed lease modification of the CWK Property submitted to the Lands Department in January 2015

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## DEFINITIONS

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“CWK Project”	a property development project which is currently under development by our Group and is intended to redevelop the CWK Property into a 20-storey office tower with podium comprising a mixed use of offices and commercial services
“CWK Property”	the existing industrial building situated at Section A of Lot No. 303 in Demarcation District No. 355, Nos. 11–15 Chai Wan Kok Street, Tsuen Wan, Hong Kong, which is owned by Rainbow Red
“Deed of Indemnity”	the deed of indemnity dated 27 June 2016 and executed by our Controlling Shareholders in favour of our Company in relation to certain indemnities, particulars of which are set out in “Statutory and General Information — E. Other Information — 2. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 27 June 2016 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in “Relationship with Controlling Shareholders” in this prospectus
“Diamond Vantage”	Diamond Vantage Limited (利鑽有限公司), a limited liability company incorporated in Hong Kong on 3 October 2014 and an indirect wholly-owned subsidiary of our Company. Its assets mainly comprised The Galaxy Parking Spaces as at the Latest Practicable Date
“Director(s)”	the director(s) of our Company
“Eagle Charm”	Eagle Charm Limited (錦鷹有限公司), a limited liability company incorporated in Hong Kong on 3 July 2014 and was wholly-owned by Star Property Management (HK) from 4 August 2014 to 18 March 2016
“Eagle Trend”	Eagle Trend Limited (亦高有限公司), a limited liability company incorporated in Hong Kong on 2 July 2011 and wholly-owned by Mr. Jack Lam
“Eagle Trend (BVI)”	Eagle Trend (BVI) Limited, a company incorporated in BVI on 29 February 2016 with limited liability and wholly-owned by Mr. Jack Lam
“electronic application instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares

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## DEFINITIONS

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“Eligible Employee”	an employee of our Group who is neither an existing beneficial owner of Shares or of shares of any of the subsidiaries of our Company nor a close associate of the foregoing and satisfies the following criteria: (1) is at least 18 years of age, (b) is a holder of Hong Kong Identity Card and has a Hong Kong address; (c) is an employee of our Group; (d) is outside the U.S. and not a U.S. person (as defined in Rule 902 of Regulation S); and (e) is not a connected person of our Company
“Employee Preferential Offering”	the preferential offering of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis, as further described in “Structure and Conditions of the Global Offering” in this prospectus
“Employee Reserved Shares”	the 560,000 Hong Kong Offer Shares being offered pursuant to the Employee Preferential Offering
“Fountain Inc”	Fountain Inc Limited (鋒騰有限公司), a limited liability company incorporated with limited liability in Hong Kong on 6 February 2013 and an indirect wholly-owned subsidiary of our Company. It is a project company which was set up for the development of The Star
“Galaxy Asset Management (HK)”	Galaxy Asset Management (H.K.) Limited (嘉理資產管理有限公司), a company incorporated in Hong Kong on 20 February 1998 with limited liability and ultimately wholly-owned by Mr. Joe Chan. Galaxy Asset Management (HK) is a connected person of our Company
“Galaxy Properties (BVI)”	Galaxy Properties (BVI) Limited (嘉利地產(英屬處女島)有限公司), a company incorporated in BVI on 15 November 2012 with limited liability and wholly-owned by Galaxy Real Estate Holdings (BVI)
“Galaxy Real Estate Holdings (BVI)”	Galaxy Real Estate Holdings (BVI) Ltd (嘉理房地產控股(英屬處女島)有限公司), a company incorporated in BVI on 13 March 2008 with limited liability and wholly-owned by Crystal Harbour
“Galaxy Real Estate Services (BVI)”	Galaxy Real Estate Services (BVI) Limited (嘉利房地產服務(英屬處女島)有限公司), a company incorporated in BVI on 13 March 2008 with limited liability and held as to 84% by Galaxy Real Estate Holdings (BVI) and 16% by Mr. Jack Lam
“Global Offering”	the Hong Kong Public Offering and the International Placing

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## DEFINITIONS

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“GREIM”	Galaxy Real Estate Investment Management Limited (嘉利房地產投資管理有限公司), a limited liability company incorporated in Hong Kong on 18 January 2011 and ultimately held as to 90% by Mr. Joe Chan and 10% by Mr. Jack Lam. GREIM is a connected person of our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of our current subsidiaries, our Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Guotai Junan” or “Sole Sponsor”	Guotai Junan Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities as defined in the SFO
“Guotai Junan Securities”, “Sole Global Coordinator” or “Sole Bookrunner”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as in effect from time to time
“HK Government” or “Hong Kong Government”	the Government of the Hong Kong Special Administrative Region
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars”, “HK\$” or “HKD”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 5,600,000 newly issued Shares offered by us for subscription under the Hong Kong Public Offering, representing 10% of the initial number of the Offer Shares subject to adjustment as described in “Structure and Conditions of the Global Offering” in this prospectus



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## DEFINITIONS

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“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in “Structure and Conditions of the Global Offering” in this prospectus), and subject to the terms and conditions stated herein and in the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Underwriters — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 29 June 2016 relating to the Hong Kong Public Offering entered into between, amongst others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters, particulars of which are set out in “Underwriting” in this prospectus
“Independent Third Party(ies)”	party(ies) independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares for and on behalf of our Company outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment as further described in “Structure and Conditions of the Global Offering” in this prospectus and the exercise of the Over-allotment Option
“International Placing Shares”	the 50,400,000 Shares being offered by our Company for subscription under the International Placing (subject to adjustment as further described in “Structure and Conditions of the Global Offering” in this prospectus) and, where relevant, together with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option
“International Underwriters”	the group of international underwriters and the Sole Global Coordinator with whom we expect to enter into the International Underwriting Agreement to underwrite the International Placing

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## DEFINITIONS

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“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or about the Price Determination Date by, amongst others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the International Underwriters in respect of the International Placing, particulars of which are set out in “Underwriting” in this prospectus
“Inventive Rainbow”	Inventive Rainbow Limited, a company incorporated in BVI on 19 December 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
“JLL” or “Property Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our property valuer and industry consultant
“JLL Report”	an independent market research report in respect of the real estate market in Hong Kong, which was commissioned by our Company and prepared by JLL for the purpose of this prospectus
“Joint Lead Managers”	Guotai Junan Securities and Great Roc Capital Securities Limited
“Latest Practicable Date”	24 June 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares on the Main Board commences
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, adopted on 27 June 2016 and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“Mr. Jack Lam”	Mr. Lam Kin Kok (林建國), our executive Director and the sole shareholder of Eagle Trend (BVI), which is one of our Shareholders

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## DEFINITIONS

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“Mr. Joe Chan”	Mr. Chan Man Fai, Joe (陳文輝), our founder, chairman, executive Director, chief executive officer and our Controlling Shareholder
“New Moon”	New Moon River Limited (新月河有限公司), a company incorporated in BVI on 29 March 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$1.8 per Offer Share and is expected to be not less than HK\$1.44 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares, where relevant, together with any additional Share(s) issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by us to the Sole Global Coordinator, exercisable by it on behalf of the International Underwriters pursuant to the International Underwriting Agreement pursuant to which our Company may be required by the Sole Global Coordinator to allot and issue up to 8,400,000 additional Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price
“PINK Application Form(s)”	the application form(s) for use by the Eligible Employees to subscribe for Employee Reserved Shares pursuant to the Employee Preferential Offering
“Planning Report”	Report on 2014 Area Assessments of Industrial Land in the Territory completed by the Planning Department in August 2015
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force before 3 March 2014
“Price Determination Date”	the date on which the final Offer Price is to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), which is expected to be on or about 8 July 2016 and in any event not later than 12 July 2016

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## DEFINITIONS

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“Rainbow Red”	Rainbow Red Holdings Limited (虹彩控股有限公司), a limited liability company incorporated in Hong Kong on 25 November 2013 and an indirect wholly-owned subsidiary of our Company. It is the project company for holding the CWK Property and development of the CWK Project
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“Risk Control Committee”	the risk control committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 27 June 2016, a summary of principal terms of which is set out in “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus
“Shun Shing”	Shun Shing Contractors Limited (信誠營造工程有限公司), a company incorporated in Hong Kong on 29 March 1999 with limited liability and an associate of Mr. Joe Chan. Shun Shing is a connected person of our Company
“Spring Moon”	Spring Moon Investments Limited (綠尤投資有限公司), a limited liability company incorporated in Hong Kong on 28 August 2013 and an indirect wholly-owned subsidiary of our Company. It is a project company for holding the Yue Fung Property and development of the Yue Fung Project
“Stabilising Manager”	Guotai Junan Securities

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## DEFINITIONS

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“Star Properties (BVI)”	Star Properties (BVI) Limited, a company incorporated in BVI on 10 March 2016 with limited liability and an indirect wholly-owned subsidiary of our Company
“Star Properties Group (BVI)”	Star Properties Group (BVI) Limited, a company incorporated in BVI on 8 March 2016 with limited liability and a directly wholly-owned subsidiary of our Company
“Star Properties (HK)”	Star Properties (H.K.) Limited (星星地產(香港)有限公司) (formerly known as Galaxy Properties (H.K.) Limited (嘉利地產(香港)有限公司)), a limited liability company incorporated in Hong Kong on 17 December 2012 and an indirect wholly-owned subsidiary of our Company
“Star Properties Holdings (BVI)”	Star Properties Holdings (BVI) Limited, a company incorporated in BVI on 3 March 2016 with limited liability and wholly-owned by Mr. Joe Chan
“Star Property Management”	Star Property Management (HK) Limited (星星物業管理有限公司) (formerly known as Galaxy Property Management (HK) Limited (嘉利物業管理有限公司)), a limited liability company incorporated in Hong Kong on 3 January 2013 and an indirect wholly-owned subsidiary of our Company
“Star Property Management (BVI)”	Star Property Management (BVI) Limited, a company incorporated in BVI on 10 March 2016 with limited liability and an indirect wholly-owned subsidiary of our Company
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Star Properties Holdings (BVI) and the Stabilising Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Code on Takeovers and Mergers, as amended, modified and supplemented from time to time
“The Galaxy”	a newly built industrial building developed by us and known as The Galaxy which is situated at Section E of Lot No. 693 in Demarcation District No. 445, No. 313 Castle Peak Road Kwai Chung, New Territories, Hong Kong
“The Galaxy Parking Spaces”	the parking spaces of The Galaxy

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## DEFINITIONS

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“The Star”	our property development project which is currently under construction and is intended to be developed into a newly built industrial building known as The Star which is situated at The Remaining Portion of Section B of Lot No. 693 in Demarcation District No. 445, Kwai Chung, New Territories, Hong Kong and owned by Fountain Inc, our wholly-owned subsidiary
“Track Record Period”	the three years ended 31 December 2015
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations as promulgated thereunder
“WHITE Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own names
“YELLOW Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be deposited directly in CCASS
“Yue Fung Project”	a property development project which is currently under development by our Group and involves the carrying out of alterations and additions works on the Yue Fung Property
“Yue Fung Property”	the existing industrial building situated at Yuen Long Town Lot No. 374, No. 22 Wang Yip Street South, Yuen Long, New Territories, Hong Kong, which is currently owned by Spring Moon, our wholly-owned subsidiary
“Yue Fung Special Waiver Application”	our application for the special waiver under the Revitalisation Measures for the Yue Fung Project submitted to the Lands Department in October 2015
“%”	per cent

*In this prospectus, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.*

“alterations and additions works”	refer to the building works that are carried out on an existing building with an aim to enhancing the value of such existing building without involving demolition of such existing building
“average selling price” or “ASP”	average selling price on a GFA basis, unless otherwise stated
“binding basic terms”	in relation to a lease modification application with the Lands Department, a set of terms offered by the Lands Department, which reflect all the technical and planning issues raised, including the amount of land premium (which is discussed at the valuation section of the Lands Department), balance of administrative fee (if any) and the deposit payable (which normally represents 10% of the agreed land premium)
“Building Authority”	the Director of Buildings under the Buildings Ordinance, who is the head of the Buildings Department
“building order”	means an order issued by the Building Authority under the Buildings Ordinance
“Buildings Department”	the Buildings Department of the Hong Kong Government, which provides services to owners and occupants in both existing and new buildings in the private sector through enforcement of the Buildings Ordinance
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
“CAGR”	compound annual growth rate
“CBD”	traditional Central Business District
“completion”	in respect of a property development, the issue of an occupation permit or a certificate of compliance, whichever is later
“development”	refers to the development of a new building on a vacant site, and “develop” shall be interpreted accordingly

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## GLOSSARY OF TECHNICAL TERMS

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“Expiry Of Revitalisation Measures Application Period”	the expiry of application period for (1) certain measures to encourage redevelopment in non-industrial zones, namely, (a) allowing lease modifications or land exchange for redevelopment at “pay for what you build” premium (i.e. based on the optimal use and proposed development intensity) for redevelopment of industrial buildings situated in non-industrial zones; and (b) allowing owners who modify the lease for redevelopment to opt for payment of 80% of the premium for the lease modification by annual instalments up to five years at a fixed rate of interest, if the premium for the lease modification exceeds HK\$20 million); and (2) measure to encourage wholesale conversion in “Industrial”, “OU(B)” and “Commercial” zones on 31 March 2016. See “Regulatory Overview — Regulatory Overview of the Hong Kong Property Industry — (ix) Revitalisation” in this prospectus for details
“GFA”	gross floor area
“ha”	hectare, one hectare equals to 107,639 sq.ft.
“HGV”	diesel heavy goods vehicles of gross vehicle weight in the range of 24.0–38.0 tonnes
“HIBOR”	Hong Kong Inter-bank Offered Rate
“HKIA”	The Hong Kong Institute of Architects
“HKIS”	The Hong Kong Institute of Surveyors
“ISO”	International Organisation for Standardisation
“ISO 9001”	one of the standards developed by ISO, purpose of which is to increase customer satisfaction through the deliverance of quality products and services
“ISO14001”	one of the standards developed by ISO that sets out the criteria for an environmental management system
“kPa”	kilopascal, which is a unit of pressure measurement
“LGV”	includes petrol light goods vehicles and diesel light goods vehicles
“lump sum fixed price contract”	a kind of construction contracts which provide specified services for a stipulated or fixed price
“m”	metre



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## GLOSSARY OF TECHNICAL TERMS

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“m <sup>3</sup> ”	cubic metre
“newly built industrial building(s)”	private flatted factories completed since 2011, excluding private industrial/office, private specialised factories and private storage
“non-polluting industrial use”	any industrial use which does not involve activities that are detriment to the occupants of the building and amenity of the area by reason of noise, waste water discharge, vibration, smell, fume, smoke, soot, ash, dust or grit. In general, it includes uses involving prototyping, production, design, research and development, alteration, testing, quality control, adaptation, repair, assembly, packaging, storage and distribution of goods and materials without generating environmental pollution and nuisance to neighbours.
“occupation permit”	a written permit issued by the Building Authority of Hong Kong pursuant to section 21 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) which permits the occupation of a new building for the purposes stated in the permit or the corresponding document issued by the relevant authority in another jurisdiction
“OHSAS 18001”	an international occupational health and safety management system specification
“OU(B)”	Other Specified Uses (Business), a zone which 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
“Planning Department”	the Planning Department of the Hong Kong Government
“plot ratio”	refers to ratio of a building which shall be obtained by dividing the gross floor area of the building by the area of the site on which the building is erected
“Private Flatted Factories”	premises designed for private general manufacturing process and uses, including ancillary offices directly related to such processes, and normally intended for sale or letting by the developers
“Private Industrial/Office premises”	floor space designed or certified for industrial/office use

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## GLOSSARY OF TECHNICAL TERMS

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“Private Specialised Factories”	all other factory premises, primarily purpose-built for specialised manufacturing processes, usually for occupation by a single operator
“Private Storage”	premises designed or adapted for use as godowns or cold stores and include ancillary offices.
“provisional basic terms”	in relation to a lease modification application with the Lands Department, a set of terms offered by the Lands Department which reflect all the technical and planning issues raised at the District Lands Conference, excluding the amount of land premium and administrative fees
“redevelopment”	refers to the redevelopment of an existing building into a new building which involves the demolition of an existing building and replacement by a new building, and “redevelop” shall be interpreted accordingly
“revitalisation”	any one of the measures under the Revitalisation Measures
“Revitalisation Measures”	the set of revitalisation measures announced by the HK Government to facilitate the redevelopment and wholesale conversion of older industrial buildings which came into effect on 1 April 2010, and as amended, supplemented and/or otherwise modified from time to time. The Revitalisation Measures comprise (1) measures to encourage redevelopment in non-industrial zones (which comprise (a) the lowering of application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong); (b) allowing lease modifications or land exchange for redevelopment at “pay for what you build” premium (i.e. based on the optimal use and proposed development intensity) for redevelopment of industrial buildings situated in non-industrial zones; and (c) allowing owners who modify the lease for redevelopment to opt for payment of 80% of the premium for the lease modification by annual instalments up to five years at a fixed rate of interest, if the premium for the lease modification exceeds HK\$20 million); and (2) measure to encourage wholesale conversion in “Industrial”, “OU(B)” and “Commercial” zones. See “Regulatory Overview — Regulatory Overview of the Hong Kong Property Industry — (ix) Revitalisation Measures” in this prospectus for details

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## GLOSSARY OF TECHNICAL TERMS

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“studio offices”	offices with average unit size on GFA below 2,000 sq.ft. and completed since 2011 for commercial use and back-office operations with lift lobby, security services, property management, individual air conditioner, electricity and water provision as well as private car, HGV and LGV parking spaces. Floor-to-floor height is at least 3.5 m and floor loading is at least 3 kPa
“sq.ft.”	square foot or square feet
“sq.m.” or “m <sup>2</sup> ”	square metre(s)

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and future plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend policy.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialize or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in “Risk Factors” in this prospectus and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in Hong Kong, including the sustainability of the economic growth in Hong Kong;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and plans that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

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## FORWARD-LOOKING STATEMENTS

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Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risk factors set out in “Risk Factors” in this prospectus.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that all of our Group's operations are conducted in Hong Kong. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this Prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this Prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.*

We believe that there are certain risks involved in an investment in the Shares. These risks can be broadly categorised into (i) risks relating to our business, (ii) risks relating to our industry and (iii) risks relating to the Global Offering and this prospectus.

### **RISKS RELATING TO OUR BUSINESS**

**We may not be able to identify and acquire development sites and/or existing industrial buildings which are suitable and desirable for our future development.**

We are a property developer principally engaging in property development and property investment of industrial buildings and commercial buildings for sale or rental in Hong Kong. During the Track Record Period, we completed the construction of The Galaxy. As at the Latest Practicable Date, we had The Star, a project under construction with an expected GFA of approximately 94,967 sq.ft., the Yue Fung Project, and the CWK Project with an expected GFA of approximately 154,973 sq.ft. upon its completion, two projects under development, which are undergoing the planning and design stages. Our business is therefore dependent upon, among other things, our ability to identify and acquire suitable development sites and/or existing industrial buildings.

It may be difficult to obtain suitable development sites and/or existing industrial buildings in Hong Kong at commercially reasonable prices due to the increase in the costs of acquiring land in Hong Kong. The Hong Kong Government controls the land supply and regulates various aspects of the process through which land is acquired and developed. Such land supply policies implemented by the Hong Kong Government may have an impact on our ability to acquire land and our costs of acquisition. These regulatory measures may also further intensify the competition for land among property developers.

We cannot assure you that we will be able to acquire any development sites and/or existing industrial buildings suitable and desirable for our future development projects. Any failure to acquire development sites suitable for our future development, or any unfavourable changes in government policies with regard to land supply and development may have a material adverse impact on our business, financial condition, results of operations and growth prospects.

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**We had limited number of development projects during the Track Record Period, failure to identify and acquire more development projects in future may affect the prospects and profitability of our Group and our Group's current performance may not be indicative of our Group's future performance.**

We derived a majority of our revenue from the sale of properties which we developed. During the Track Record Period, we only had four development projects, namely (i) one completed development project, The Galaxy; (ii) one development project under construction, The Star; and (iii) two development projects under development, Yue Fung Project and CWK Project. To have a steady stream of developed properties available for sale and a continuous growth in the long term, we need to replenish and increase our future development sites which are suitable for development. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control. The HK Government policy on land has a direct impact on our ability to acquire land use rights for development and our costs of acquisition, for example, the expiry of the Revitalisation Measures on 31 March 2016 offer us less flexibility on our future development projects, see “Risk Factors — The expiry of the Revitalisation Measures will offer less flexibility and impose heavier costs on our future development of industrial building into commercial building” for further details.

Our Group's current performance may not be indicative of our Group's future performance. If we fail to acquire development sites in a timely manner and at acceptable prices, our prospects and competitive position may be adversely affected and our business strategies, growth potential and performance may be materially adversely affected.

**We may be unable to obtain, or may suffer delays in obtaining, the relevant government approvals for our property development projects.**

The property industry in Hong Kong is regulated by the Hong Kong Government. We are required to obtain relevant approvals and/or waivers to certain restrictions on land use or at various stages of the property development process. The grant of any such approvals and/or waivers is dependent on meeting criteria and/or conditions set by the relevant government authorities, which may require a considerable amount of time to finalise and are subject to discretion and changes in new policies, law and regulations. For example, an owner of an industrial lot in a non-industrial zone may apply for a lease modification for redevelopment of the lot for non-industrial use as permitted under the relevant statutory town plan or as may be permitted by the Town Planning Board. In this connection, as the CWK Project is situated in an “OU(B)” zoned area where general business uses are permitted, the redevelopment plan will involve the change in land use under government lease from industrial use to commercial use, and we have submitted the CWK Lease Modification Application. The relating land premium would require a considerable amount of time to finalise and the grant of approval of the CWK Lease Modification Application by the Lands Department would be subject to certain terms and conditions imposed by the Lands Department.

Further, an owner of an industrial building located in a zone designated for “Industrial”, “Commercial” or “OU(B)” uses may apply for a special waiver for the change of use of the entire existing industrial building under the Revitalisation Measures. In this regard, we have submitted the Yue Fung Special Waiver Application. The approval of the Yue Fung Special Waiver Application will be subject to terms, covenants and conditions offered by, as well as the absolute discretion of the Lands Department.

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However, we cannot assure you that we will not encounter problems or delays in obtaining the necessary government approvals (in particular those in relation to the CWK Project and the Yue Fung Project), fulfilling the conditions, covenants and terms required for obtaining the relevant approvals (in particular those in relation to the CWK Project and the Yue Fung Project), or that we will be able to adapt to and comply with any new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes with respect to the granting of the relevant approvals. The Lands Department may also at its absolute discretion reject the Yue Fung Special Waiver Application. If we are unable to obtain the relevant approvals or to fulfill the terms, conditions and covenants of those approvals for our property development projects, such projects may not be able to proceed on schedule or at all and our business, financial condition and results of operations may be adversely affected.

In the event that we could not obtain approval of the CWK Lease Modification and/or approval of the Yue Fung Special Waiver Application, the respective resulting value enhancement and profitability of (a) the CWK Property upon the completion of the alterations and additions works are expected to be lower as compared with those upon completion of redevelopment of the CWK Property into a commercial building; and (b) the Yue Fung Property upon its conversion of the existing industrial building into an upgraded industrial building are expected to be lower as compared with those upon completion of the conversion into a commercial building. See “Summary — The Potential Impact of the Expiry of Revitalisation Measures Application Period on our Group’s Business and Future Prospects” in and “Business — Our Development Projects — Projects under development — Yue Fung Project” this prospectus for details.

**During the construction period or in the event that the CWK Property will not be demolished and we choose to carry out property enhancement on the CWK Property via alterations and additions works, our financial condition and results of operations may be affected as a result of the expiry of the existing rental agreements.**

As at the Latest Practicable Date, the units of the CWK Property were leased to Independent Third Parties for rental income, and all the relevant rental agreements will expire in the second quarter of 2016. For the three years ended 31 December 2015, the rental income generated from leasing of units of the CWK Property amounted to nil, approximately HK\$340,000 and approximately HK\$3.5 million, respectively. We expect to commence early stages of construction works (comprising demolition and foundation works) from the third quarter of 2016, which can take place prior to and regardless of the agreement and settlement of the land premium and execution of the modification letter in relation to the CWK Lease Modification. The construction period of the CWK Project is expected to be from the third quarter of 2016 to the third quarter of 2019, during which we will not be able to generate rental income from the CWK Property and hence our financial condition and results of operations may be affected.

We will consider the amount of the land premium assessed by the Lands Department which is expected to be issued in or around July 2016 and assess whether the same is within the range commercially acceptable to our Group. In the unlikely event that we are unable to obtain the approval of the CWK Lease Modification Application as a result of our disagreement of the assessed amount of land premium upon our receipt of the assessment in July 2016 by reason of it being commercially unacceptable to our Group, we will not proceed to demolish the CWK Property and instead, we intend to carry out property enhancement on the relevant property via alterations and additions works so as to upgrade the existing industrial building to enjoy capital appreciation from the sale of the completed



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workshop units and/or rental income from leasing of the workshop units once completed, as we deem appropriate at the time. See “Business — Our development projects — Projects under development — CWK Project” in this prospectus for details.

In the event that we choose not to demolish the CWK Property but to carry out alterations and additions works on the CWK Property by reason of the assessed land premium being commercially unacceptable to our Group, we intend to lease out such units not affected by the alterations and additions works while such works are being carried out. Since all the relevant existing rental agreements will expire in the second quarter of 2016, we will not be able to generate rental income from the CWK Property after their expiry. Assuming we would be able to receive the same amount of rental income on the same terms and conditions as our existing rental agreements, the monthly rental income that we would have been able to receive from the CWK Property after the expiry of the existing rental agreements would be HK\$298,000, assuming that the units in the CWK Property were leased out in their current conditions without any alterations and additions works or redevelopment. In addition, we cannot assure you that we would be able to locate tenants in a timely manner, on terms favourable to us, or at all, which might in turn affect our financial condition and results of operations.

**During the Track Record Period, we generated revenue principally from the sale of properties. Our operating results depend on a number of factors including the schedule of our property development and the timing of property sales.**

During the Track Record Period, sale of properties was the primary source of our revenue. For the three years ended 31 December 2015, revenue of nil, approximately HK\$611.8 million and approximately HK\$73.5 million was generated from the sale of properties, representing nil, approximately 100% and approximately 93.4% of our total revenue for the three years ended 31 December 2015, respectively. A number of factors, such as the schedule of our property development and the timing of property sales may affect our results of operations.

For sale of properties, we generally recognise revenue from the sale of a property upon completion of the construction and delivery of the property to the purchaser. In addition, the timing of the delivery of our properties may deviate from our construction and/or sales timetable. Our revenue and results of operations may vary significantly from period to period depending on the number of properties delivered during a specified period. Accordingly, our results of operations for any given period may not be indicative of the actual demand of our properties or our sales achieved during such period. Our revenue and profit during any given period generally reflect properties purchased by our customers at a time in the past before delivery of the properties. Accordingly, our results of operations are not necessarily indicative of results that may be expected for any future period which may lead to fluctuations in the price of our Shares for Listing. Although agreements for the pre-sale of a majority of uncompleted units of The Star were entered into in the fourth quarter of 2015, completion of the sale and purchase of the sold units of The Star will not take place prior to completion of construction of The Star. According to the current development progress of The Star, we expect that the completion of construction of The Star will take place in the fourth quarter of 2016. Deposits received from the pre-sale of units of The Star will not be recognised as revenue until the property development project is completed and properties are delivered to purchasers.

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Our operating results may also be exposed to other factors, such as changes in market demand for our properties, timing for the acquisition of land and timing of project development and the sales of properties. Given the susceptibility of the business nature of property development, our period-to-period comparisons of results of operations and cash flow positions may not fully reflect our financial performance for any specified period. Further, our property development projects may be delayed or adversely affected by a combination of factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

**We may not be able to complete or deliver our property development projects on time, on budget, or at all.**

We had completed only one property development project, namely, The Galaxy, since the establishment of our operation in 2010 and up to the Track Record Period and therefore we have a limited experience in completing many property projects. In addition, there are a number of factors, including the performance and efficiency of our contractors, changes in relevant regulations and government policies, construction accidents, adverse weather conditions, delays in obtaining the necessary licences, permits or approvals from the Hong Kong Government and other unforeseen problems and circumstances, which may adversely affect the schedule, costs and the success of our development projects. Any delays in the construction schedule, deviation from our planned specifications, failure to control the costs within budget as a result of the above factors may affect our results of operations and financial position and may also adversely affect our reputation and customers' satisfaction. We cannot assure you that we will not experience any significant delays in the completion or delivery of our development projects, including The Star, or that we will not be subject to any liabilities to our customers, tenants or relevant governmental authorities for any such delays. Liabilities arising from any delays in the completion or delivery of our development projects may adversely affect our business, financial condition, results of operations and growth prospects.

**We recorded net current liabilities as at 31 December 2013, 31 December 2015 and 30 April 2016. We cannot assure you that we will not experience net current liabilities in the future.**

As at 31 December 2013, we recorded a net current liability of approximately HK\$16.3 million, which was mainly due to the receipts in advance from workshop units pre-sold and the use of the short-term bank borrowings to finance the development of The Galaxy. Our Group's financial position turned into a net current asset position of approximately HK\$92.1 million as at 31 December 2014 mainly due to the increase in bank balances and cash, and decrease in trade and other payable as a result of the decrease in deposits received for The Galaxy as some of these deposits were being recognised as revenue as a result of the completion and delivery of The Galaxy in August 2014 and increase in properties held for sale due to acquisition of the CWK Property and cost capitalised for The Star. As at 31 December 2015, we recorded a net current liability of approximately HK\$356.6 million, which was primarily due to (i) the balance of long-term bank loans due after one year of approximately HK\$415.7 million which contain repayment on demand clause; and (ii) amounts due to Directors of approximately HK\$366.0 million. The increase in the borrowings as at 31 December 2015 was mainly due to acquisition of the Yue Fung Property in July 2015. As at 30 April 2016, we recorded a net current liability of HK\$362.0 million which was due to the increase in trade and other payables of approximately HK\$84.3 million and increase in amounts due to Directors of approximately HK\$17.0 million for the construction of The Star, which was partially offset by increase in properties held for sale

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of approximately HK\$57.5 million and increase in stakeholder's account of approximately HK\$24.8 million. For details of the net current assets and liabilities position, see "Financial Information — Liquidity and Capital Resources — Current Assets and Current Liabilities" in this prospectus.

Our future liquidity and the repayment of our outstanding debt obligations when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate external financing. Our Group may experience net current liabilities in the future. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may need to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

**We rely on external consultants and contractors for the construction-related works of our property development projects, their failure to provide satisfactory services or quality of work may affect the quality, safety and timeliness of our property delivered.**

We rely on external consultants and contractors for the construction-related works of all of our property development projects. Such works include architectural services, structural engineering services, quantity surveying services and electrical and mechanical engineering services. We typically adopt a tender process in selecting consultants and contractors and request such potential firms to provide a proposal with a fee quotation. In making our decision, we would consider a number of factors including our past cooperation experience with them, their track record, their scope of services, schedule of delivery of services, payment terms and the estimated design cycle. Although we regularly monitor the progress and quality of the construction-related works of the external consultants and contractors, we cannot assure you that these external consultants and contractors can provide services, to the level of quality and safety standards acceptable to us or within the timeline required by us. If the performance of any external consultants and contractors proves unsatisfactory, or if any of them is in breach of its contractual obligations, the quality, safety and the timeline of our project may be adversely affected, and we may also incur extra costs by taking other remedial actions such as engaging a new consultant for services or a new contractor. As a result, our reputation, financial position and business operations may be adversely affected.

**Our results of operations may be adversely affected by increase in construction costs such as labour and material costs and use of sub-standard construction materials.**

We rely on our contractors to procure the construction materials such as concrete, cement, steel and to source construction workers for different types of work in a construction project. As a result of economic growth and the prosperity of infrastructure development in Hong Kong, competition for certain types of construction workers is intense in recent years, which caused the wages for certain types of construction workers to increase as well. According to the JLL Report, the launch of a number of major infrastructure projects in Hong Kong, such as Central Reclamation, Hong Kong Zhuhai Macau Bridge, Kowloon West High Speed Rail project has caused general labour shortage and hence a rapid increase in labour cost since 2010, and average daily wages of such occupations as bar bender and fixer, concreter and carpenter recorded CAGRs of over 10% during the period between 2010 and 2014. In addition, with the persistent inflation in Hong Kong in recent years, we expect that the costs of labour will continue to increase in the foreseeable future. Costs of construction materials may also fluctuate

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according to market situation from time to time resulting in corresponding increase in the quotation provided by our contractors for our new property development projects in the future. We conduct feasibility studies for a particular site and will take into account the estimated development costs prior to the acquisition of sites. Due to time lag, there may be a chance that the contractors' fee quotations for our property development may exceed our budget due to increased labour or materials costs. In addition, our contractors may have difficulty in retaining their existing labour or recruit sufficient labour or procure quality construction materials at a reasonable price and in a timely manner, or at all, and as a result of which we may not be able to complete our development projects on schedule and may thus suffer losses and damages which may in turn adversely affect our business, financial condition and results of operations.

Further, we cannot assure you that the quality of all construction materials used in our property development projects will always meet our standards, and additional costs may be incurred or delay in our construction schedule may be encountered by us if we have to replace the sub-standard construction materials. The occurrence of any of the above may adversely affect our reputation, business, financial condition and results of operations.

**Our indebtedness could have an adverse effect on our financial condition and results of operations.**

We maintain a certain level of indebtedness to finance our operations. Our total outstanding bank loans and other loans as at 31 December 2013, 2014 and 2015 were, in aggregate, approximately HK\$239.6 million, approximately HK\$222.9 million and approximately HK\$506.4 million, respectively. Our indebtedness could have adverse consequences, for example, it could:

- increase our vulnerability to adverse general economic or industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our debts, thereby reducing the availability of our cash flow to fund working capital or expand our business;
- restrict our flexibility in planning for or reacting to changes in our business or the industry in which we operate;
- restrict us from making strategic acquisitions or take advantages of business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds or equity capital in the future or increase the cost of such funding or borrowing.

In the future, we may incur additional indebtedness and contingent liabilities, thereby increasing the risks we will be facing as a result of our indebtedness.

Our future operating performance, which will be affected by, among other things, governmental regulations, the property market trend in Hong Kong, prevailing economic conditions and other unforeseeable factors, will affect our ability to generate sufficient cash to satisfy our outstanding and future debt obligations. In the event that we are unable to generate sufficient cash flow to pay our

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anticipated operating expenses and to repay our debts, we may be forced to adopt an alternative strategy, such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be implemented successfully, or at all, and even when implemented, may result in adverse effects on our business, financial condition and results of operations.

**We experienced net operating cash outflow for the year ended 31 December 2013 and for the year ended 31 December 2015.**

We had net cash outflow from operating activities of approximately HK\$113.7 million for the year ended 31 December 2013 and approximately HK\$87.2 million for the year ended 31 December 2015, respectively. See “Financial Information — Liquidity and capital resources — Operating activities” in this prospectus for details. While our Directors believe that we have sufficient funds to finance our current working capital requirements, our operating cash flow may be adversely affected by unforeseeable factors. As such, we cannot assure you that we will not experience net operating cash outflow in the future. In the event that we fail to maintain sufficient cash inflows, we may default on our payment obligations and may not be able to meet our capital expenditure requirements which may in turn have a material adverse impact on our business, financial condition, results of operations and our business prospects.

**The illiquidity of properties may limit our ability to respond to adverse changes in the performance of our property investment business.**

We invest in properties with good capital appreciation potential and rental value, and leasing of such properties retained for the generation of recurring rental income. For the three years ended 31 December 2015, we generated revenue from property investment of nil, approximately HK\$46,000 and approximately HK\$5.2 million, representing nil, approximately 0.008% and approximately 6.6% of our total revenue, respectively. Property investments are in general relatively illiquid and as a result, our ability to sell our properties for investment promptly in response to the changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our properties for investment for the price or on the terms imposed by us, or whether any price or other terms offered by a potential purchaser would be acceptable to us. We cannot predict the length of time for finding a purchaser and to complete the sale of a property. In addition, additional expenses in managing and maintaining our properties before selling may be incurred. We cannot assure you that financing for such expenditures will be available when needed, or at all. Further, if we sell a property for investment during the term of the relevant tenancy agreement, we may have to pay termination fees to our tenants.

**Our results may fluctuate due to increases or decreases in the appraised fair value of our investment properties and the appraised value of our properties may differ from the actual realisable value and is subject to change.**

We are required by HKFRSs to reassess the fair value of our investment properties upon their completion and transfer to properties held for investment and at every reported statement of financial position date thereafter. Accordingly, gains or losses arising from changes in the fair value of our investment properties are included in our combined statements of comprehensive income in the period in which they arise. However, fair value gains or losses do not change our overall cash position or our liquidity as long as we continue to hold such investment properties.

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For the three years ended 31 December 2015, we recognised increases in fair value gains on our investment properties in the amounts of approximately HK\$5.1 million, HK\$12.0 million and HK\$16.4 million, respectively.

Any global market fluctuations and economic downturn can affect the amount of revaluation adjustments. We cannot assure you that we will continue to record fair value gains on our investment properties at previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future. There is no assurance that the fair value gains (if any) on our investment properties will increase due to any increase in our portfolio of investment properties and/or increase overall value appreciation of properties in Hong Kong.

Fair value gains of our properties during the Track Record Period are based on valuations performed by the Property Valuer and are calculated based on assumptions adopted by them. We cannot assure that the assumptions used by the Property Valuer will be realised. Assumptions used by our Property Valuer when valuing our properties may exceed the corresponding parameters in the current market and/or corresponding historical parameters associated with our properties. As a result, the appraised value of our properties may differ from their actual realisable value or a forecast of their realisable value. See “Appendix III — Property Valuation Report” in this prospectus for further information regarding the assumptions adopted by the Property Valuer.

If any of the assumptions adopted by the Property Valuer in reaching the appraised values of our properties proves to be inaccurate, the appraised values of our property projects may be materially affected. As a result, the appraised values of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realisable value or an estimation of their realisable value. Unforeseeable changes in circumstances such as any downturn in national and local economic conditions, tightening of government austerity measures with respect to the property sector, any deterioration in the macroeconomic environment or for other reasons may also adversely affect the value of our properties.

**We may not have adequate capital resources to fund our new project opportunities and future property developments.**

Our property development projects are generally funded through a combination of, among other things, share capital, retained profits, pre-sale and sale proceeds from our property development, bank borrowings, shareholders’ loan and other income derived from sale of our investment properties. Given the heavy capital requirement of property development, we cannot assure you that such funds will always be sufficient or that any additional financing can be obtained on commercially reasonable terms in a timely manner, or at all.

A number of factors such as general economic conditions, our financial performance, availability of credit from banks and monetary policies in Hong Kong may affect our ability to obtain adequate financing for land acquisition and property development. We cannot assure you that our existing major lenders will not change their lending policies, increase our funding costs, or adopt a more cautious credit stance as a result of the overall economic climate, or any other factors that may limit our ability to obtain credit on favourable terms in a timely manner and affect our options for obtaining liquidity. In the event that we cannot source sufficient funds, or any additional financing cannot be obtained on commercially reasonable terms in a timely manner, our business, results of operations, financial conditions and growth prospect may be materially adversely affected.

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### **We may face significant risks before realising any benefits from property development.**

Revenue from property development can only be recognised upon the delivery of the properties to the purchasers. Depending on the size of the development, the time span for completing a property development usually lasts for a number of years, given the substantial capital outlay during acquisition and construction phases, it may take a number of years before positive cash flows would be generated from a completed property development. Consequently, changes in the business environment during the length of the project may affect the revenue and costs of the development, which in turn may affect the profitability of the project. Variables such as the delay in obtaining relevant government approvals such as approval from the Town Planning Board in relation to any proposed change of land use, relevant approval from the Lands Department before commencement of sale, and issue of occupation permit from the Buildings Department, the failure to complete construction according to original specifications and schedule or budget of the relevant project may affect the timeline of the development. The revenue generated by and value of a property development project may be adversely affected by a number of factors, including but not limited to, deterioration in the international, national, regional and local economic climate, local real estate market conditions, intensified competition from other available properties and increased business and operating costs. If any of the property development risks described above materialises, our returns on investments may be lower than originally expected and our business, financial condition, results of operations and prospects may be materially and adversely affected.

### **Compliance obligations and costs relating to our properties could have an adverse effect on our business.**

In Hong Kong, structural alterations and redevelopment of properties are subject to prior approval by the Building Authority. The Building Authority may issue warning notices and/or building orders in relation to certain parts of a property or the common areas of a building if there are alteration works carried out without the required permits or consents. If the subject matter as stated in the warning notice is not rectified within the specified period, the Building Authority may issue a building order which may constitute title defects in respect of the relevant property, unless and until the relevant requirements as set out in the building order have been duly complied with. The works required to comply with warning notices and/or building orders may involve costs to be borne by the owners.

Under Hong Kong law, the existence of these title defects and other title issues do not prevent the relevant properties from being sold, purchased, or being suitable for acceptance by banks as security for granting mortgages. Nevertheless, any title defect on the property may have adverse effect on the value of such property. If such property has been contracted for sale with a prospective purchaser, such title defect may entitle the prospective purchaser to refuse completion of the sale and purchase transaction.

We cannot assure you that our properties held for investment or properties held for sale or the common areas of the building in which such properties are situated will not be subject to any warning notice or building order. In the event that any warning notice or building order is issued against our properties and the subject matter cannot be rectified by us and/or other owners of the building in a timely manner, or at all, the sale of our properties may be affected which may in turn have material adverse impact on our business, financial condition and results of operations.

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**Our relevant subsidiaries are subject to certain restrictive covenants and certain risks associated with debt financing which may limit or otherwise adversely affect our operations.**

Our relevant subsidiaries entered into loan agreements for financing and are subject to certain material, customary affirmative and/or negative covenants in the loan agreements between us and certain banks. For example, under certain loan agreements, our relevant subsidiaries are restricted from carrying out merger, restructuring, change of control, allotment and issue of new shares, declaration of dividends and creating any mortgages, debenture or charge without the prior consent of our lenders. Our relevant subsidiaries are also subject to negative undertakings, such as without the approval from the banks, prohibition from (i) entering into any pre-sales of the property; (ii) pre-letting, lease or make any arrangement for the sharing of the property; (iii) make loans, give credit advance money, guarantee or indemnify the liability of any person. Our relevant subsidiaries also undertake not to do anything which is in contravention of any planning or building law. If our relevant subsidiaries fail to abide by these restrictive covenants, our lenders may be entitled to accelerate the repayment of the loans, in which case our business, financial condition and results of operations will be materially and adversely affected. We also cannot assure you that the equity interests that we have pledged or which may be pledged to our lenders will not be subject to enforcement actions, in which case we may lose control and ownership of our subsidiaries and our results of operations, financial condition and business prospects may be materially and adversely affected.

**Our Group is exposed to liquidity risks.**

Our Group is exposed to liquidity risks, including the risk that the investment properties may not be readily converted to cash, and that transaction costs such as commission fees, stamp duty, etc. would be involved. In the event that our Group is in need of cash for various purposes, including repayment of bank loans etc., failure to properly and timely manage liquidity risk could have a material and adverse impact on our Group's cash flows, earnings and financial position and may reduce the funds available to us for working capital, capital expenditure, future acquisitions, dividends and other general corporate purposes.

**We may not be able to successfully manage our growth and may face additional risks as we expand our business.**

We intend to continue to expand our business through further acquisitions of properties as and when suitable opportunities arise. Any future expansion may strain our managerial, operational and financial resources. We will need to manage our growth effectively, which may require additional efforts in recruiting, training and managing our workforce, managing our costs and implementing adequate controls and management systems in a timely and effective manner. In managing our costs, there may be instances (for example, the listing expenses to be incurred by our Group and the increasing administrative expenses upon listing) whereby the actual expenses incurred may exceed our original estimate due to unexpected delay or additional resources required. This may adversely affect our results of operations and our financial condition. We cannot assure you that we will be successful in managing our growth or in integrating and assimilating any acquired business with our existing operations. In order to fund our ongoing operations and our future growth, we also require sufficient internal sources of liquidity or access to additional funding from external sources. Additionally, we will be required to manage relationships with a greater number of external consultants and contractors, sales agents, property managers, lenders and other third parties. We cannot assure you that we will not experience



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issues such as capital constraints, transaction delays, compliance errors or difficulties in training an increasing number of personnel (when required) to manage and operate the expanded business. We also cannot assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our results of operations, financial condition and business prospects or expose us to additional risks as we expand our business.

**Our profit level and margin are affected by our turnover mix and we may not be able to continue with our existing level of profit.**

For the three years ended 31 December 2015, we recorded gross profit margin of nil, approximately 48.4%, and approximately 45.7% respectively. Factors which may reduce our gross profit margin include:

- change in the mix of our revenue sources;
- intensified market competition;
- completion of development of property project;
- failure to achieve sales targets;
- change in costs associated with external consultants or contractors; and
- change in acquisition costs for development sites/properties.

We cannot assure you that we can always maintain or increase gross profit margin. In the event that we are unable to maintain or increase our gross profit margin, our profitability may be adversely affected.

**Our insurance for our rental property and the insurance taken out by our main contractor in respect of our construction sites may not cover every potential loss and claim.**

We have taken out employee's compensation, property all-risk, fire public liability insurance policies and motor vehicles insurance in respect of our properties and other insurance policies as required by Hong Kong law to cover our business operations. For our construction contracts, our contractors have taken out contractor's all-risk and employees' compensation insurance to cover the risks in relation to the construction works at our development sites. However, the insurance policies taken out by us and our main contractor may not cover all eventualities or payments by the insurers may not fully compensate us for all potential losses, damages or liabilities relating to our properties or our business operations. Further, the insurers may otherwise find themselves financially unable to meet claims. In addition, there are certain types of losses for which full insurance coverage is not generally available. Examples of these include insurance against losses suffered due to business interruption, earthquake, flooding or other natural disasters, war or civil disorder, or loss or damage caused by building works not authorized by the Building Authority. Therefore, there may be instances when we will have to bear losses, damages and liabilities because of our lack or insufficiency of insurance coverage. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we may not have sufficient funds to cover such losses,

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## RISK FACTORS

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damages or liabilities or to reinstate any properties which may be damaged or destroyed. In addition, any payment we make to cover any such losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial position.

**We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.**

We may be involved in disputes arising out of the development, sale, leasing or purchase of our properties with suppliers, sub-contractors, purchasers or other stakeholders. These disputes may lead to protests, legal or other proceedings and may damage our reputation and divert our resources and management attention. Significant costs may have to be incurred in settling such disputes or defending ourselves in such proceedings. If we are not successful in defending ourselves in such proceedings, we may be liable for damages, the amount of which may be significant. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings or unfavourable decrees that may result in liabilities and cause other material adverse effects on our business, results of operations and financial position.

**We rely heavily on our senior management team and key personnel for our success and the loss of their services could affect our business.**

Our future success is dependent on the ongoing efforts of our senior management and key personnel. We rely on our management team comprising our executive Directors and senior management as set out in “Directors and Senior Management” in this prospectus, for their extensive industry experience in property development and investment in Hong Kong. Competition for talented employees is intense in the property market. If any member of the executive Directors and senior management team ceases to be involved in the management of our Group in the future, we risk not being able to identify other suitable candidates to replace he/she in a timely manner, our operations, profitability and prospects may be negatively impacted. There is no assurance that we are able to retain these key members of our management team, our business prospects, financial condition and results of operations may be adversely affected.

**Our future dividend payments and policy will be subject to the discretion of our Board.**

The amount of any dividends that we may declare and pay in the future will be subject to the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, distributable reserves and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into from time to time. The amounts of distributions that any company within our Group has declared and made in the past are not indicative of the dividends that we may pay in the future.

**The expiry of the Revitalisation Measures will offer less flexibility on our future development of industrial buildings into commercial buildings**

The Revitalisation Measures comprise (1) measures to encourage redevelopment in non-industrial zones (which comprise (a) the lowering of application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong); (b) allowing lease modifications or land exchange for redevelopment at “pay for what you build” premium (i.e. based on the optimal use and proposed development intensity) for redevelopment of industrial

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buildings situated in non-industrial zones; and (c) allowing owners who modify the lease for redevelopment to opt for payment of 80% of the premium for the lease modification by annual instalments up to five years at a fixed rate of interest, if the premium for the lease modification exceeds HK \$20 million); and (2) measure to encourage wholesale conversion in “Industrial”, “OU(B)” and “Commercial” zones. The application period for the Revitalisation Measures under (1)(b), (1)(c) and (2) above expired on 31 March 2016. The expiry of the aforesaid measures will offer less flexibility and options in the conversion of industrial building into commercial building, and the applicants will no longer be able to enjoy the payment of premium by way of annual instalment.

Amongst our property portfolio, we applied for the special waiver for conversion of the entire industrial building into commercial building in respect of the Yue Fung Property at nil waiver fee. With the expiry of the Revitalisation Measures under 1(b), 1(c) and (2) above, we will no longer be able to apply for special waiver under such provisions, it will increase our development costs and may affect our profitability.

**We are in the process of applying for registration of our trademarks and there may be a risk of infringement. In addition, we may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and competitive position.**

Our future success depends in part upon our proprietary intellectual property rights. We consider that our trademark and similar intellectual property rights are critical to our success. As of the Latest Practicable Date, we are in the process of applying for registrations of three trademarks in Hong Kong. We seek to protect our intellectual property rights through a combination of registered trademarks, trade secrets and confidentiality agreements. It is possible that any trademarks being applied for registrations by us may be challenged, invalidated, refused or rejected, and there may be a risk of infringement of intellectual property rights held by third party. There can be no assurance that such trademarks will provide us with competitive advantages or adequately safeguard our proprietary rights. Trade secrets are difficult to protect, and our trade secrets may be leaked or otherwise become known or be independently discovered by competitors. Confidentiality agreements may be breached, and we may not have adequate remedies for any breach.

Any litigation regarding intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. In addition, any intellectual property litigation involves significant risks. If there is a successful claim of intellectual property infringement against us, we might be required to pay substantial damages to the party claiming infringement and refrain from further use of such trademark. Any intellectual property litigation or successful claim could have a material adverse effect on our business, results of operations or financial condition.

### RISKS RELATING TO OUR INDUSTRY

**Our business may be affected by the economic conditions in Hong Kong, particularly the performance of the property market in Hong Kong.**

All of our properties are located in Hong Kong and it is our principal property investment strategy to remain focused on the Hong Kong property market. Our business and revenue growth are generally subject to the economic conditions in Hong Kong.

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## RISK FACTORS

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The property market in Hong Kong may be affected by many factors, including changes in the social, political, economic and legal environments in Hong Kong, as well as changes in the HK Government's fiscal and economic policies. We generally are also sensitive to changes in the economic conditions, consumer confidence, consumer spending and customer preferences. Factors such as the mainland's slower growth in economy in recent years, the prospect that the final lift of US interest rate in December 2015, may, to a certain extent, have cooled the real estate market in Hong Kong.

Our business and prospects therefore depend principally on the economic conditions and performance of the property market in Hong Kong. Any downturn in the Hong Kong economic conditions or outlook of the property market may therefore adversely affect our performance. We cannot assure you that the demand for properties, in particular newly built industrial buildings and commercial properties, in Hong Kong, will continue to grow, or will grow at all, any potential decline in the demand for properties or property prices in Hong Kong may have a material adverse impact on our business, financial condition, results of operations and growth prospects. Our financial position and results of operations may be influenced by fluctuations of supply and demand in the property market, which may, in turn, be affected by the general state of the economy and other factors, such as government policies. Any economic downturn or over-supply of properties could result in a slowdown in property sales or leases or downward pressure on property prices or rents. Any adverse development in the real estate market in Hong Kong could also have a material adverse effect on our business, results of operations and financial condition.

**Any economic slowdown may adversely affect our business and our ability to obtain necessary financing for our operations.**

Since 2009, the global economy has been slowing down and the growth is expected to remain modest and uneven in the near future. Recovery of advanced economies is slow and patchy, with downward pressures on emerging market economies. The market volatility and uncertainty caused by the global financial crisis also contributed to a lower demand for properties in Hong Kong and a decline in their rents or selling prices. Any global economic slowdown or financial market turmoil in the future may adversely affect overall demand for our industrial and commercial properties and the business of tenants of our industrial and commercial properties and therefore their ability to pay all or part of the rent. If there is a decrease in the general demand for our properties, this could also result in a decrease in the rents or selling prices of our properties. One or more of these factors could materially and adversely affect our business, financial condition and results of operations.

**We face competition in the industrial and commercial property development industry in Hong Kong that could adversely affect our business and financial position.**

There are a large number of property developers focusing on the industrial and commercial buildings in Hong Kong. Many of such developers have significant financial, managerial, marketing resources, as well as experience in property and land development. Competition within the industry is intense and may result in, among other things, increased costs of acquiring land for development, surplus in the supply of properties, delay in obtaining government approvals, increase in construction costs and increase in competition in hiring suitable high quality contractors and qualified employees. Any such consequences may adversely affect our business, results of operations and financial position. Our Group competes with other property developers in the bidding for development sites in government auctions, public and private tenders as well as private sales of prospective development properties. We

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also compete with other property developers in the sales of commercial and industrial properties upon completion of development in terms of many factors, including location, transportation, ancillary services and other incentives such as building design, quality of premises, accommodation and amenities, brand recognition, maintenance services, sales prices, rental rates and other terms. There is no assurance that we will continue to be able to successfully market and sell our units and carparks in our subsequent property development projects at a desirable price. We may not be able to recover the property development costs in full which may in turn have a material adverse impact on our business, financial condition, results of operations and growth prospect.

**Our business and results of operations may be affected by changes the policies of the Hong Kong Government and other regulatory bodies.**

In recent years, the Hong Kong Government and other regulatory bodies in Hong Kong have introduced certain anti-speculation measures on the property market in Hong Kong, such as the recently modified ad valorem stamp duty which applies to both residential and commercial properties, supply of land controls, rezoning to residential use, termination of favourable policies, such as the Expiry Of Revitalisation Measures Application Period and other fiscal policies. We cannot assure you that there would not be further anti-speculative measures and that these measures would not be extended to industrial buildings and commercial buildings.

In addition, the Hong Kong Monetary Authority may from time to time issue circulars and guidelines on measures for property mortgage loan to authorized financial institutions such as banks. In February and March of 2015, the Hong Kong Monetary Authority issued “Prudential Measures for Property Mortgage Loans” and “Macroprudential Requirements for Mortgage Financing” respectively, which impose additional stringent rules on lending banks in terms of mortgage loans and their refinancing such as lowering the loan-to-value ratio and the debt servicing ratio. The purchasing power of our potential customers may be adversely affected if the mortgage restrictions for industrial buildings and commercial buildings become more stringent as well.

We cannot assure that the Hong Kong Government or other relevant regulatory bodies in Hong Kong will not impose additional stringent policies in relation to financing property acquisitions in the future. Also, there is no assurance that the Hong Kong Government will not introduce anti-speculative measures or other policies which may curtail the investment in industrial and commercial property market. See “Regulatory Overview” and “Industry Overview” in this prospectus for details of the above measures.

**Changes in interest rates may affect our cost of financing and in turn our profit and results of operations.**

Our borrowings which are denominated in Hong Kong dollars, and forms a major source of financing for our development projects. As such, interest rates on some of our outstanding Hong Kong dollar denominated borrowings are benchmarked to the HIBOR, any change in interest rates will affect our financing costs and, ultimately, our results of operations. Hong Kong is also vulnerable to the rise in the US interest rate given the fact that Hong Kong dollar is pegged to the US dollar, therefore any rise in the US interest rate may bring a mirroring effect to Hong Kong, which in turn leads to higher borrowing costs. As the HIBOR is revised on a daily basis, we cannot assure you that it will not fluctuate or that it will not increase. We cannot assure you that banks or other financial institutions from

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which we borrow will not raise lending rates in the future. Any increase in these rates will increase our financing cost and could materially and adversely affect our business, financial condition and results of operations.

**Our prospects may be adversely affected by an outbreak of epidemics, such as influenza A (H1N1) and avian flu (H5N1), and natural disasters.**

Any outbreak of epidemic in the places where we operate, such as influenza A (H1N1) and avian flu (H5N1) or recurrence of severe acute respiratory syndrome (SARS), may result in material disruptions to our tenants' businesses, and in turn our operations and business performance. Natural disasters or other catastrophic events, such as floods or severe weather conditions affecting the regions where we operate could, depending upon their magnitude, significantly disrupt our business operations or cause a material economic downturn in the affected areas, which in turn could materially and adversely affect our business, results of operations and financial condition.

**The property development business is subject to claims under quality warranties and other claims from purchasers of our properties.**

In general, property development companies must provide certain quality warranties for the properties they construct or sell. We may receive requests from purchasers of our properties to rectify minor defects of our completed property development projects and we cannot assure you that we will not receive claims from purchasers of our properties of this nature in the future. Although we receive quality warranties from our third party contractors with respect to our property development projects, if a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third party contractors in a timely manner, or at all, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which may adversely affect our business, financial condition, results of operations, reputation and growth prospects.

In addition, we may be subject to other types of claims from purchasers of our properties from time to time during our ordinary course of business, such as claims in relation to the delay in delivery of property title documents due to various reasons. We cannot assure you that we will not face any significant claims from purchasers of our properties in the future, which may result in significant expenses to resolve such claims, or if we face delays in remedying the related defects, harm our reputation and affect our business, financial condition, results of operations and growth prospects.

**Any inability to comply with our environmental responsibilities may subject us to liabilities.**

We are subject to increasingly stringent environmental protection laws and regulations and there is a risk of enforcement by governmental authorities of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage during construction. In addition, there is a growing awareness of environmental issues and we may be expected in future to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. The environmental protection measures we have adopted, including conducting environmental assessments on our property construction projects and hiring construction contractors who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on environmental protection and safety, may be

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## RISK FACTORS

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ineffective. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed in the future. If we are unable to comply with existing or future environmental laws and regulations or are unable to meet public expectations in relation to environmental matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions and our operations may be suspended, any of which may adversely affect our business, financial condition, results of operations and growth prospects.

### **RISKS RELATING TO THE GLOBAL OFFERING AND THIS PROSPECTUS**

**There has been no prior public market for our Shares, and the liquidity and market price of our Shares may be volatile following the Global Offering.**

Prior to the listing of our Shares on the Stock Exchange, there has been no public market for our Shares. However, we cannot assure you that such listing will result in the development of an active and liquid public trading market for our Shares. Further, the Offer Price will be determined by agreement between us and the Sole Global Coordinator (on behalf of the Underwriters), and it may differ from (including being higher than) the market price of our Shares after Listing.

The market price, liquidity and trading volume of our Shares may be volatile and may fluctuate in response to factors beyond our control, such as general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere, and also the performance and fluctuation of the market prices of other companies (particularly property companies) with business operations in Hong Kong which have listed their securities in Hong Kong. In addition to market and industry factors, the price of and trading volume of our Shares may be affected by specific business factors, such as variations in our revenue, earnings, cash flows, or the occurrence or speculation of any of the risks described in this section. We cannot assure you that these developments will not occur in the future.

**The trading volume and share price of the Shares may fluctuate.**

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices for the merchandise sold could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

**Future sales of substantial amounts of the Shares in the public market may adversely affect the prevailing market price of the Shares.**

Except for the Shares issued in the Global Offering, our Company has agreed with the Global Coordinator not to issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of the Sole Global Coordinator. Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the

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## RISK FACTORS

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Listing Date and up to 36 months after the Listing Date. Such undertaking is voluntary in nature. See “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering Undertakings” in this prospectus for a more detailed discussion of restrictions that may apply to future sale of the Shares. After these restrictions lapse, the market price of the Shares may decline as a result of sale of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

**You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.**

If the final Offer Price of our Offer Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering, subscribers and purchasers of our Offer Shares will experience an immediate dilution in the pro forma adjusted consolidated net tangible asset.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our Shares are issued upon the exercise of Share options. In this regard, you may experience further dilution in the consolidated net tangible asset per Share if we issue additional Shares in the future at a price which is lower than the consolidated net tangible asset per Share.

**There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate.**

Certain facts and other statistics in this prospectus are derived from various sources including various official government publications and communications with various official government agencies. Whilst our Directors and the Sponsor have exercised reasonable care to ensure that such facts and statistics presented are accurately reproduced from their respective sources, the quality or reliability of such source materials cannot be guaranteed and have not been prepared or independently verified by us, the Sponsor, the Underwriters or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the official government statistics and unofficial statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus 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 this prospectus or any statement herein misleading.

### **THIS HONG KONG PUBLIC OFFERING AND THE PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. See “How to Apply for Hong Kong Offer Shares” in this prospectus and the Application Forms for details of the procedures for applying for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

### **STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING**

See “Structure and Conditions of the Global Offering” in this prospectus for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See “Underwriting” in this prospectus for details of the Underwriters and the underwriting arrangements.

**RESTRICTIONS ON OFFER OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

**APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 13 July 2016.

Save as disclosed above, no part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

**SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and we complying with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **HONG KONG SHARE REGISTER AND STAMP DUTY**

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Estera Trust (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

### **LANGUAGE**

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Executive Directors</b>		
Mr. Chan Man Fai Joe (陳文輝)	Flat A, 69/F, Sky Tower The Arch 1 Austin Road West Tsim Sha Tsui Kowloon	British
Mr. Lam Kin Kok (林建國)	Unit A, 8/F, Tower 6 Larvotto 8 Ap Lei Chau Praya Road Ap Lei Chau Hong Kong	Chinese
Ms. Cheung Wai Shuen (張慧璇)	Flat 4, 19/F, Block 4 Heng Fa Chuen Chai Wan Hong Kong	Chinese
Mr. Liu Hon Wai (廖漢威)	Flat B, 22nd Floor Tower 6 Park Avenue 18 Hoi Ting Road Tai Kok Tsui Hong Kong	Chinese
<b>Non-executive Directors</b>		
Mr. Pong Kam Keung (龐錦強)	Flat E, 13/F, Block 29 6 East Laguna Street Laguna City Kwun Tong Kowloon	Chinese
Mr. Yim Kwok Man (嚴國文)	Flat B, 1/F, Block 3 Kent Court 131-139 Boundary Street Kowloon	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Independent non-executive Directors</b>		
Mr. Shiu Siu Tao (蕭少滔)	Flat 7B, Block 20 Chi Fu Fa Yuen Pokfulam Hong Kong	Chinese
Mr. Lee Chung Ming Eric (李仲明)	G/F 193 Sheung Sze Wan Sai Kung New Territories	Chinese
Ms. Chan Wah Man Carman (陳華敏)	Flat E, 19/F, Block 3 The Victoria Towers 188 Canton Road Tsim Sha Tsui Kowloon	Chinese

See “Directors and Senior Management” in this prospectus for details of our Directors and members of senior management.

### **PARTIES INVOLVED IN THE GLOBAL OFFERING**

#### **Sole Sponsor**

#### **Guotai Junan Capital Limited**

*A corporation licensed under the SFO and permitted to carry out type 6 (advising on corporate finance) regulated activities under the SFO*  
27/F., Low Block  
Grand Millennium Plaza  
181 Queen’s Road Central  
Hong Kong

#### **Sole Global Coordinator and Sole Bookrunner**

#### **Guotai Junan Securities (Hong Kong) Limited**

*A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO*  
27/F., Low Block  
Grand Millennium Plaza  
181 Queen’s Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Joint Lead Managers

#### **Guotai Junan Securities (Hong Kong) Limited**

*A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO*

27/F., Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

#### **Great Roc Capital Securities Limited**

*A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activities under the SFO*

Suites 3712, 37/F., West Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

### Legal advisers to our Company

*As to Hong Kong law*

#### **Deacons**

*Solicitors, Hong Kong*

5th Floor

Alexandra House

18 Chater Road

Central

Hong Kong

*As to Cayman Islands law*

#### **Appleby**

*Cayman Islands attorneys-at-law*

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*As to Hong Kong law*

#### **Mayer Brown JSM**

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Property valuer and industry consultant**

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*Property valuer*  
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1 Queen's Road East  
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**Receiving banker**

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## CORPORATE INFORMATION

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<b>Registered office</b>	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	Unit 602B, 6/F Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
<b>Company website</b>	www.starproperties.com.hk <i>(Note: information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Cheung Wai Shuen ( <i>HKICS</i> ) Flat 4, 19/F, Block 4 Heng Fa Chuen Chai Wan Hong Kong
<b>Audit Committee</b>	Ms. Chan Wah Man Carman ( <i>Chairman</i> ) Mr. Lee Chung Ming Eric Mr. Shiu Siu Tao
<b>Remuneration Committee</b>	Mr. Shiu Siu Tao ( <i>Chairman</i> ) Ms. Chan Wah Man Carman Mr. Chan Man Fai Joe
<b>Nomination Committee</b>	Mr. Yim Kwok Man ( <i>Chairman</i> ) Mr. Chan Man Fai Joe Mr. Shiu Siu Tao Mr. Lee Chung Ming Eric
<b>Risk Control Committee</b>	Mr. Yim Kwok Man ( <i>Chairman</i> ) Mr. Chan Man Fai Joe Mr. Lam Kin Kok Ms. Cheung Wai Shuen Mr. Pong Kam Keung Mr. Lee Chung Ming Eric



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## CORPORATE INFORMATION

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G/F, 486 King's Road  
North Point  
Hong Kong

The Hongkong and Shanghai Banking  
Corporation Limited  
Basement, 29 Queen's Road Central  
Central  
Hong Kong

**Principal share registrar and  
transfer office in Cayman Islands**

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

**Hong Kong Share Registrar**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

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## INDUSTRY OVERVIEW

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*The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by JLL and commissioned by us.*

*Our Directors, after taking reasonable care, are of the view that there has been no adverse change in the market information since the date of the JLL Report which may qualify, contradict or have an impact on the information in this section. We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.*

### INTRODUCTION

In connection with the Global Offering, we have commissioned JLL, an Independent Third Party, for use in this prospectus to prepare the Industry Research Report with necessary information on the real estate markets in the PRC and the cities in which we operate. JLL has charged us a total fee of HK\$200,000 for the preparation of the Industry Research Report, which we believe is in line with the market rate for similar reports.

JLL is an international real estate consultancy group, which provides a range of services including valuation and consultancy for occupiers, investors and developers across all sectors of the real estate market. JLL has licensed offices in Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu in China, as well as Hong Kong, Singapore and other cities in Asia.

For the purpose of the Listing, JLL also serves as our Property Valuer. The Property Valuation Report prepared by JLL which relates to our property interests is included in Appendix III to this prospectus. JLL provided services through two business teams which are independent from each other. This section was prepared primarily by the designated market research team based on the followings and considered that the information and statistics are reliable:

- data from various government publications;
- site visits and interviews; and
- proprietary database of JLL;

JLL has relied on the assumptions listed below:

- all documents provided by our Company are true and correct;
- all published data by the Buildings Department, Census and Statistics Department, Lands Department, Planning Department and Rating and Valuation Department are true and correct; and
- where subscribed data is obtained from authoritative public institutions, JLL will rely upon the apparent integrity and expertise of such institutions.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Industry Research Report prepared by JLL which may qualify, contradict or have impact on the information set out in this section.

## INDUSTRY OVERVIEW

### OVERVIEW OF HONG KONG ECONOMY

As one of the world's leading international financial centres, Hong Kong has a major capitalist economy characterised by low taxation and free trade. Hong Kong maintains a highly developed capitalist economy, ranked the freest in the world by the Index of Economic Freedom every year since 1995. It is an important centre for international finance and trade, with one of the greatest concentrations of corporate headquarters in the Asia-Pacific region.

Hong Kong economy has grown modestly since 2012. Nominal GDP of Hong Kong grew to HK\$2,403 billion in 2015, which represents a year-on-year growth rate of 2.4% in chained (2013) dollars. The table below illustrates the selected economic statistics of Hong Kong from 2011 to 2015.

**Selected economic statistics of Hong Kong (2011–2015)**

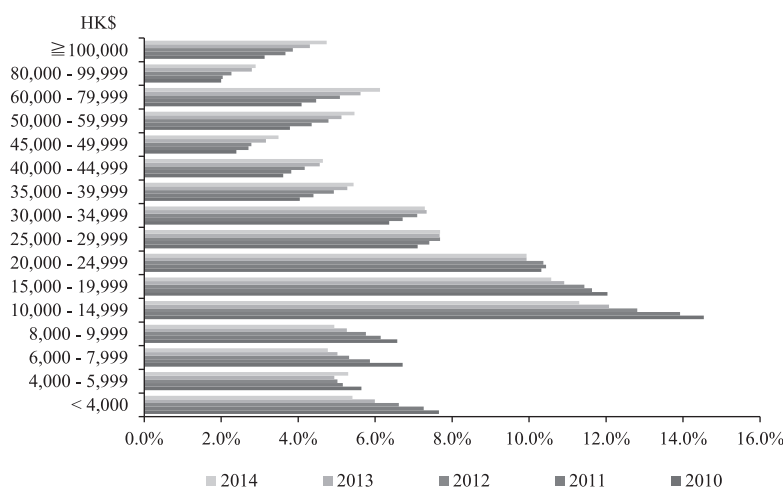
	2011	2012	2013	2014	2015	2011–2015 CAGR
Nominal GDP (HK\$ billion). . . . .	1,934	2,037	2,138	2,258	2,403	5.6%
Change over the preceding year (%) <sup>#</sup> . .	4.8	1.7	3.0	2.7	2.4	2.9*
GDP per capita (HK\$) . .	273,550	284,720	297,462	311,836	328,854	4.7%

*Source:* Census and Statistics Department, Hong Kong

*Notes:* # in chained (2013) dollars  
\* is the arithmetic mean

Average monthly household expenditure has followed the income trend rising up steadily to HK\$21,623 during 2009 and 2010, which is almost levelled up with monthly income. The chart illustrates the monthly household income distribution from 2010 to 2014.

**Monthly household income distribution (2010–2014)**



*Source:* Census and Statistics Department, Hong Kong

The Consumer Price Index (CPI) measures the changes over time in the price level of consumer commodities and services generally purchased by households. The year-on-year rate of change in the CPI is widely used as an indicator of the inflation affecting consumers. The table below illustrates the composite CPI of Hong Kong from 2011 to 2015.

## INDUSTRY OVERVIEW

### Composite CPI of Hong Kong (2011–2015)

	2011	2012	2013	2014	2015	Arithmetic mean
CPI . . . . .	106.0	110.3	115.1	120.2	123.8	115.1

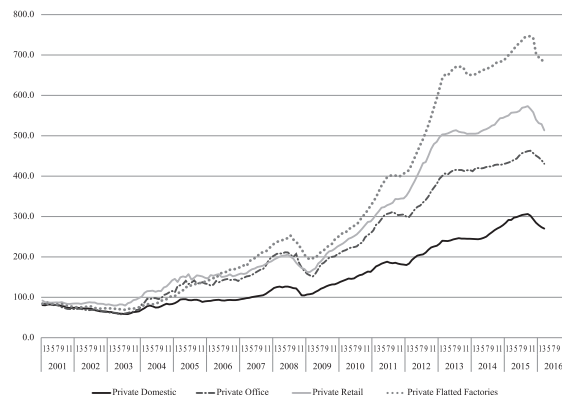
*Source:* Census and Statistics Department, Hong Kong

*Note:* preceding year = 100

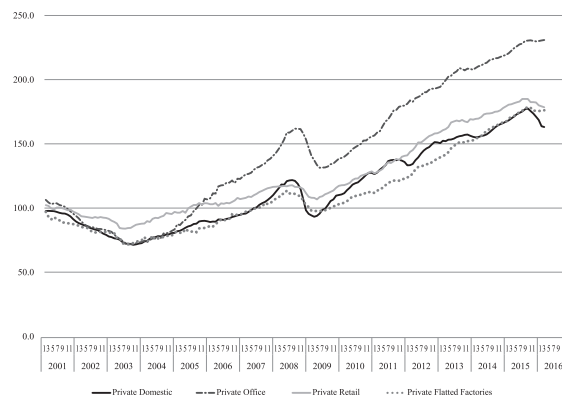
### OVERVIEW OF REAL ESTATE MARKET IN HONG KONG

In general, real estate market in Hong Kong can be classified into domestic property market and non-domestic property market. Non-domestic property market is a crucial part of Hong Kong’s real estate market and includes offices, commercial property and industrial property.

#### Price Indices for Hong Kong property market (1999=100)



#### Rental Indices for Hong Kong property market (1999=100)



*Source:* Rating and Valuation Department, Hong Kong

The land supply from the Hong Kong Government for non-domestic use was limited with only 20 parcels of land sold by the Hong Kong Government between 2011 and 2015 and six parcels of land sold in 2011 and six parcels of land sold in 2015, which were the highest number of parcel of land for non-domestic use sold over the past five years. The GFA of non-domestic properties completed and under construction was the highest in 2012 with 2.3 million sq.m.. Significant amount of non-domestic properties were derived from redevelopment of old properties. As a result, industrial and commercial

## INDUSTRY OVERVIEW

property markets, property prices and rents in Hong Kong had been rising in the past few years, supported by firm economic growth, low interest rate, structural shortage of supply in land for non-domestic use, which lead to an underlying demand for non-domestic properties.

The table below illustrates the real estate market indicators of Hong Kong during 2010 to 2015:

### Real estate market indicators of Hong Kong (2010–2015\*)

	2010	2011	2012	2013	2014	2015*	2010–2015 CAGR (%)
Real estate investment (HK\$ billion) . . . . .	28.8	36.6	42.2	47.7	60.2	N/A	20.3 <sup>#</sup>
GFA of non-domestic property completed (sq.m.) . . . . .	908,492	822,536	1,506,140	849,936	776,792	822,696	-2.0
GFA of non-domestic property under construction (sq.m.) . . . . .	992,346	465,669	791,889	625,375	715,786	1,147,833	3.0
GFA of Private Offices sold (sq.m.) (Note 1)	300,432	257,025	231,452	127,484	90,905	115,456	-17.4
GFA of Private Commercial Properties sold (sq.m.) (Note 2)	300,089	193,946	242,088	107,699	84,713	66,220	-26.1
GFA of Private Flatted Factories sold (sq.m.) (Note 3)	910,200	820,773	958,369	468,794	313,193	323,109	-18.7
Average price of Private Offices (Note 1) (HK\$ per sq.m.)	114,538	137,888	158,240	176,847	180,527	194,816	11.2
Average price of Private Commercial Properties (Note 2) (HK\$ per sq.m.)	262,491	339,696	418,331	437,139	418,035	443,759	11.0
Average price of Private Flatted Factories (Note 3) (HK\$ per sq.m.)	26,471	34,854	45,884	60,338	61,455	68,013	20.8

Source: Buildings Department, Census and Statistics Department and Rating and Valuation Department, Hong Kong

Notes: \* Provisional figures  
# 2010–2014 CAGR

1. Private Offices generally comprise office premises situated in buildings designed for private commercial/business uses.
2. Private Commercial properties generally include retail premises and other premises designed or adapted for private commercial use, with the exception of private offices and carparking space.
3. Private Flatted Factories generally comprise premises designed for private general manufacturing processes and uses, including ancillary offices directly related to such processes, and normally intended for sale or letting by the developers.

The Galaxy and The Star are industrial buildings with more modern and higher standard of finishes categorised as newly built industrial buildings, which are Private Flatted Factories completed since 2011, excluding Private Industrial/Office, Private Specialised Factories and Private Storage. The CWK Property is proposed to be redeveloped into a commercial building comprising mainly Studio Offices and thus falls under the category of Private Offices. The Yue Fung Property is proposed to be converted into a commercial building comprising mainly Studio Offices (falling within Private Offices) with podium, shops, restaurants and parking spaces (falling within Private Commercial Properties). As shown in the above table, the supply of non-domestic properties are on a decreasing trend while average price of non-domestic properties are on an upward trend, which suggests that the demand for non-domestic properties in Hong Kong is higher than their supply.

# INDUSTRY OVERVIEW

## HONG KONG PRIVATE INDUSTRIAL MARKET

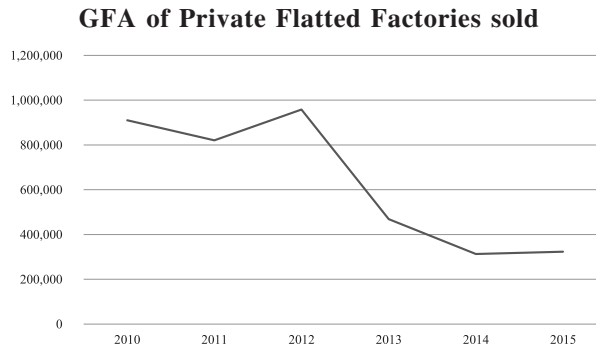
### Overview of Hong Kong Private Industrial Market

Hong Kong industrial building is defined as either a building in which articles are manufactured, altered, cleaned, repaired, ornamented, finished, adapted for sale, broken up or demolished, or in which materials are transformed by the Building Ordinance or a godown. To be more specific, Rating and Valuation Department has defined Private Industrial into 4 categories — Private Flatted Factories, Private Industrial/Office, Private Specialised Factories and Private Storage.

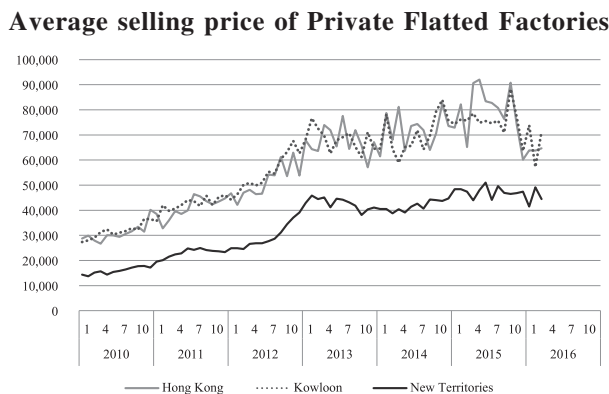
Private Flatted Factories comprise premises designed for general manufacturing processes and uses, including offices, directly related to such processes, and normally intended for sale or letting by the developers. Specialised factories, as described below, are excluded. Similar premises built by the Housing Authority are not included. Private Industrial/Office premises are floor space designed or certified for industrial/office use. Private Specialised Factories comprise all other factory premises, primarily purpose-built for specialised manufacturing processes, usually for occupation by a single operator. Private Storage premises comprise premises designed or adapted for use as godowns or cold stores and include ancillary offices. Premises located within container terminals are included.

According to public market information, 12 newly built industrial buildings were completed during the past five years while there were 476 existing industrial buildings under the land zoned “industrial” in the period between April 2013 and June 2014. The new supply of industrial buildings/flatted factories were scattered in Kowloon East, Kowloon West and New Territories West. As at 31 December 2015, according to RVD, the total stock of industrial buildings was approximately 260 million sq.ft. Completion of private flatted factories in 2015 amounted to approximately 980,000 sq. ft. contributing to approximately 0.4% of the total stock as at 31 December 2015. The number of completion in 2016 is expected to decrease to approximately 137,000 sq. ft. and approximately 281,000 sq. ft. in 2017. Newly built industrial buildings were scattered across Kowloon and New Territories, where traditional industrial zones are located.

The table below illustrates the GFA of private flatted factories sold and their average price:



Source: Rating and Valuation Department, Hong Kong



Source: Rating and Valuation Department, Hong Kong

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## INDUSTRY OVERVIEW

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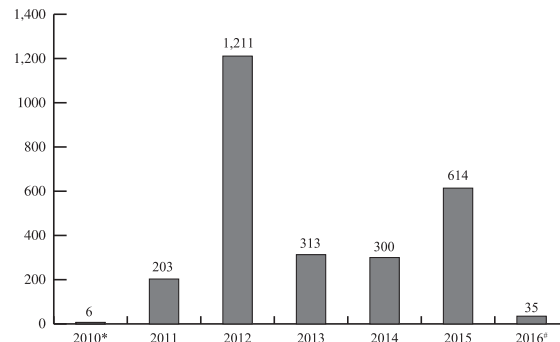
Despite a drop in 2016, which was mainly due to old private flatted factories and not newly built private flatted factories, the private industrial market is relatively stable compared to the overall Hong Kong market. As the average selling prices of private flatted factories had a general increase from 2010 to 2015 and potential sellers have optimistic view on further increase in selling prices, leading to a widening expectation gap between potential buyers and sellers which in turn reduces the probability of completing a transaction. Secondly, according to the data from the Rating and Valuation Department, the supply of private flatted factories had been reducing from 2010 to 2016. The decrease in supply of private flatted factories would result in the decrease of transaction volume along the observed period. Further, tightening of the cooling measures for property market, i.e. implementation of double stamp duty in February 2013, further increases the transaction cost. It triggered more transactions to be conducted on company level instead of a direct transfer of property assets which would not be recorded in the data originated from the Rating and Valuation Department.

### Key drivers in the newly built industrial buildings

Recently, non-polluting industries including biotechnology, electronics, environmental protection, garment and the logistic industry such as warehouses for e-commerce and online shopping business continued to take up the traditional industries which may prefer higher standard industrial buildings rather than the under-utilised ones. It is expected that the demand for newly built industrial buildings will continue to increase due to a series of favourable policies from the Hong Kong Government such as the DesignSmart Initiative, The Innovation and Technology Fund and The SME Funding Schemes, which provide support to small-and-medium sized enterprises (SMEs) and young entrepreneurs.

The demand for these industrial buildings remained stable which is evident by over 2,600 transactions recorded between April 2010 and early April 2016 for newly built industrial buildings completed since 2011. Such transactions included Private Flatted Factories but excluded Private Industrial/Office, Private Specialised Factories and Private Storage. Over 1,000 transactions were recorded in 2012, which was the highest during such period. The diagram below illustrates the number of transactions of newly built industrial buildings during the period between 2010 and early April 2016:

**Number of transactions of newly built industrial buildings**



*Source:* Public Market Information

*Notes:* Included Private Flatted Factories but excluded Private Industrial/Office, Private Specialised Factories and Private Storage.

\* Transacted since April 2010

# Up to early April 2016

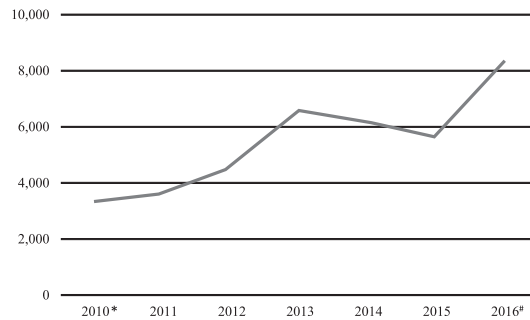
The stable demand for newly built industrial buildings is also evident by the recent transactions relating to a newly built industrial building located in Cheung Sha Wan. It is reported that all units in the said industrial building were launched for presale on 6 April 2016 and sold out on 21 April 2016. In addition, 281 units of The Star had been sold out within 20 days since its launch of pre-sale on 21 September 2015, while 157 units of The Galaxy had been sold out within eight days since 1 February 2013. In 2012, a large development project located in Tsuen Wan was launched for sale and accounted for approximately 80% of the total number of transactions recorded in 2012. A linear upward trend for the number of transactions of newly built industrial buildings was observed throughout 2010 to 2016.

## INDUSTRY OVERVIEW

The average selling price of newly built industrial buildings (including both first-hand and second-hand newly built industrial buildings) over the past five years were in general increasing despite of the decrease in 2014. The market has gradually stabilised and the average selling prices had slightly increased afterwards. Besides, the unit sizes of these buildings were generally smaller than those of traditional industrial buildings and the lump sum price was thus generally lower than that of traditional industrial buildings.

The average selling prices of newly built industrial buildings depends, to a large extent, on the special characteristics including quality and locations of the premises which are sold during the period. Changes in the average selling prices from 2010 to 2016 may be due to variation in the characteristics of the different properties being analyzed. In 2013, a new newly built industrial building located in Cheung Sha Wan was launched for sales and recorded a general higher unit price within the year, mainly due to its accessible location. In addition, some units located at upper floors and possess better view may also achieve a higher transacted unit price. Nevertheless, a linear upward trend in the average selling prices of newly built industrial buildings was observed throughout 2010 to 2016. The diagram below illustrates the average selling prices of newly built industrial buildings (including both first-hand and second-hand newly built industrial buildings) during the period between 2010 and early April 2016:

**Average selling prices of newly built industrial buildings (HK\$ per sq.ft.)**



*Source:* Public Market Information

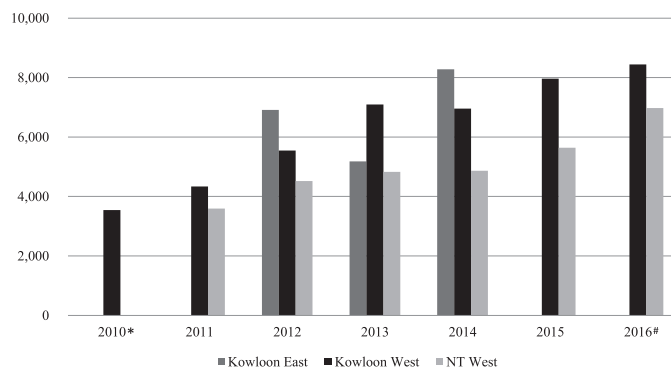
*Notes:* Completed since 2011

\* Transacted since April 2010

# Up to early April 2016

Newly built industrial buildings in Hong Kong are mainly located in the districts of Kowloon East, Kowloon West and New Territories West. The diagrams below illustrate the average selling price of first-hand and second-hand newly built industrial buildings, respectively, by district during the period between April 2010 and early April 2016:

**Sales prices analysis for newly built industrial buildings by district**



*Source:* Public Market Information

*Notes:* Completed since 2011

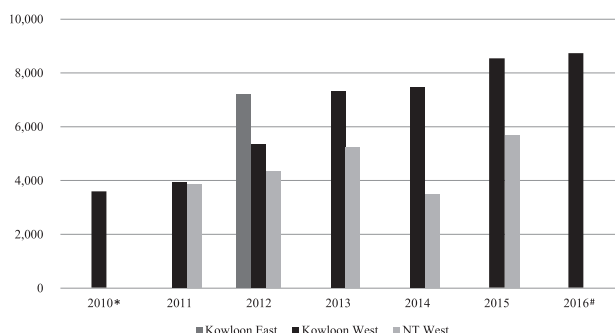
\* Transacted since April 2010

# Up to early April 2016



## INDUSTRY OVERVIEW

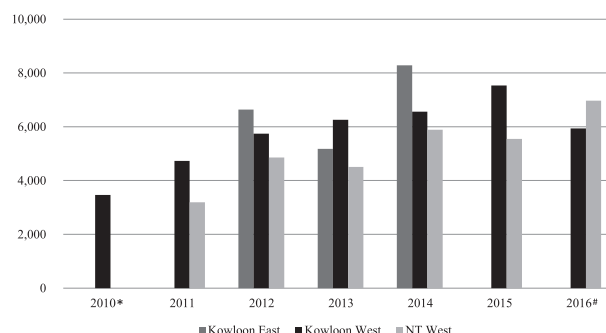
**Sales prices analysis for newly built industrial buildings by district (first hand)**



Source: Public Market Information

Notes: Completed since 2011  
\* Transacted since April 2010  
# Up to early April 2016

**Sales prices analysis for newly built industrial buildings by district (second hand)**



Source: Public Market Information

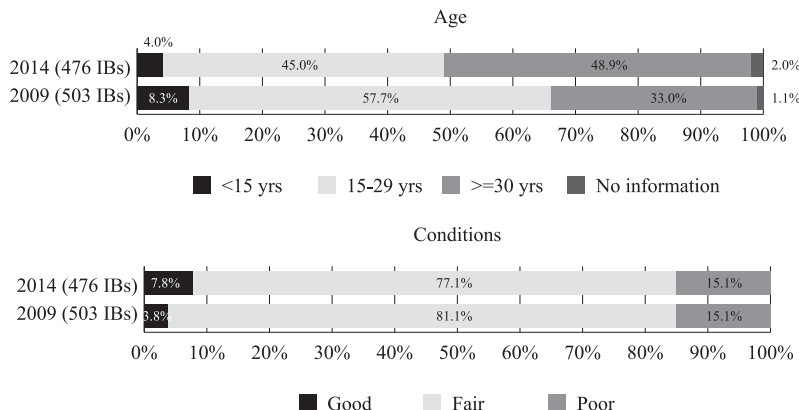
Notes: Completed since 2011  
\* Transacted since April 2010  
# Up to early April 2016

In addition, since the Special Stamp Duty and Buyer's Stamp Duty do not apply to non-domestic property transactions including newly built industrial buildings, investors may find it more attractive to invest in industrial buildings than in domestic properties due to the relatively low transaction costs and lower restrictions on the timing of the re-sale.

### Supply of development sites for newly built industrial buildings

The supply of new industrial buildings is very limited but the stock of obsolescence and under utilised traditional industrial buildings is quite large. This indicates a huge potential for redeveloping industrial buildings. Therefore, the development potential for industrial buildings is considered stable. According to the JLL Report, in 2014, about 48.9% or 233 buildings were 30 years old or above, about 45% or 214 buildings were between 15 and 29 years old and about 4% or 19 buildings were below 15 years old and only 10 buildings were five years old or less. In terms of conditions, 15.1% of the industrial buildings were in poor conditions in 2014. Only 7.8% or 37 industrial buildings were in good conditions. The diagram below illustrates age and condition of industrial buildings in "I" area:

### Age and condition of industrial buildings in "I" area



Source: Planning Department, Hong Kong

# INDUSTRY OVERVIEW

## HONG KONG OFFICE MARKET

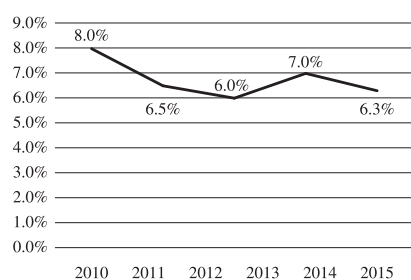
### Overview of Hong Kong office market

Studio offices are a new and innovative type of offices with average unit size of GFA of below 2,000 sq.ft. and with good building specification and flexible unit areas, which is usually located at non-CBD (non-Central Business District) commercial area and traditional industrial area which has been rezoned from “I” zone to “OU(B)” zone. Studio offices are characterised by a relatively smaller size and individually controlled air conditioner provision.

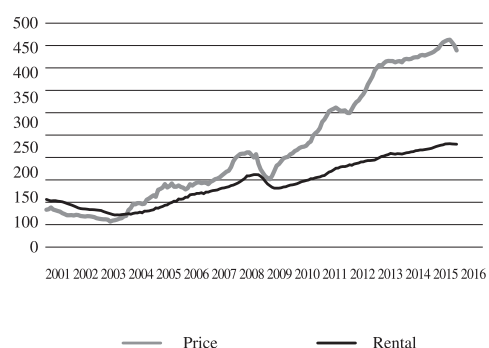
As at 31 December 2014, the date of the latest publication by Rating and Valuation Department, office stock was approximately 119 million sq.ft. (equivalent to approximately 11,060,700 sq.m.) in terms of GFA. The vacancy rate of offices recorded a general downward trend with fluctuations at an average year-on-year of 4.2% between 2010 and 2014.

The price and rental indices for offices in general have been growing steadily from 2010 to 2015. The price and rental indices for studio offices (as a sub-sector of office market) are consistent with the office market in general.

**Vacancy rate of offices**



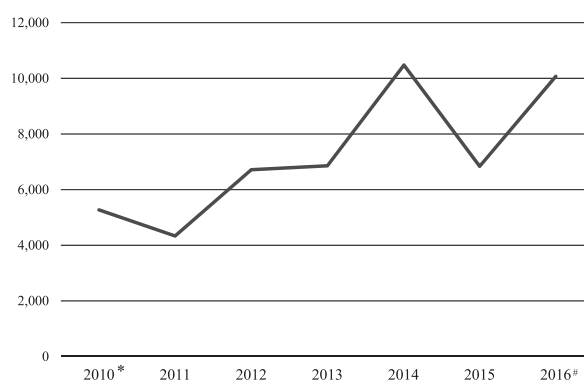
**Price and rental indices for offices**



Source: Rating and Valuation Department, Hong Kong

Studio offices attract different group of customers who target to locate their businesses within the non-CBD areas i.e. areas other than Central and Admiralty, such as Kwai Chung, Cheung Sha Wan, Kwun Tong and Kowloon Bay and enjoy a lower unit price or rental. The graph below shows the average unit price per sq.ft. of studio offices.

**Average unit price of Studio Offices**



Source: Public Market Information

Notes: GFA below 2,000, sq.ft., completed since 2011, excluding those transacted with parking spaces

\* Transacted since April 2010

# Up to the early April 2016

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## INDUSTRY OVERVIEW

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The demand for studio offices is stable where the average selling prices over the past 5 years were increasing in general especially in 2014. Despite experiencing a drop in 2015 after the peak recorded in 2014, the market restored afterwards and the average selling prices increased gradually.

### **Key drivers in the office market**

The users of the studio offices are mainly SMEs including small-scale professional consultancy firms such as architectural firms, engineering firms, surveying firms, planning consultancy firms, legal law firms, accounting firms, small-scale business services firms such as advertising agencies, consultants and interior/graphic design offices and ancillary services for neighbourhood such as tutorial schools and medical clinics. These small scale businesses are attracted to studio offices because of the relatively affordable office rent and flexible unit sizes and individually controlled air-conditioning for flexible working hours, which cater for businesses of various sizes and diverging operating hour, and thus help minimise the overall operating costs for those businesses.

Favourable government policies also drive the demand for studio offices in Hong Kong, for example, The CreateSmart Initiative promotes the development of creative industry in Hong Kong, such as comics, animation, games and digital entertainment, thus it is expected that the demand for small-size and affordable office space from this sector will remain stable.

In addition, the lower financial requirement for purchases of studio offices attract investors as it provides a lower investment entry barrier and high yield potentials.

As early as 2001, the Town Planning Board introduced a new land use zoning — “OU(B)”, which allowed a mix of commercial, office and non-polluting industrial use in traditional industrial areas. Property developers can redevelop the aged industrial buildings located in “OU(B)” zones without undergoing rezoning application and this provides more opportunities and shortens the time of redevelopment. Differentiating from traditional high grade offices located in the Central Business District (“CBD”) within the metro area, such as Central and Admiralty, studio offices are usually situated within the “OU(B)” zone such as Kwai Chung, Cheung Sha Wan, Kwun Tong and Kowloon Bay, where uses including office, commercial, non-polluting industry, administrative and managerial functions for industry, import and export office, research, development, training and design are anticipated.

### **Supply of development sites for studio offices**

Supply of development sites for Studio Offices mainly come from land/buildings located in “OU(B)” zones such as Kwai Chung, Cheung Sha Wan, Kwun Tong and Kowloon Bay. Property developers can redevelop those aged industrial buildings located in these zones without undergoing rezoning application and this provides more opportunities and shortens the time of redevelopment.

## **COMPETITIVE LANDSCAPE**

The property market, including the commercial and industrial property market, in Hong Kong has traditionally been dominated by a few large-scale local developers. However, there has been a growing number of small-to-medium property developers who participate in the redevelopment market (i.e. newly built industrial buildings and studio offices), which is a flourishing market with growth potential. Usually property developers compete with other market players in terms of the acquisition of land, brand recognition, financial resources, price, product quality, service quality and other factors. In order to establish a market share amidst the intense competition, developers have established different types of products and brands in order to differentiate their market position and to attract different groups of target customers.

## INDUSTRY OVERVIEW

According to the JLL Report, based on the total GFA of the properties completed since 2011:

### Private Industrial Market on Total GFA

No.	Market Players	Approximate Total GFA (sq.ft.)	Projects	Completion	Location	Approximate market share
1	Billion Development & Project Management Limited	1,226,529	Grandion Plaza TML Tower Reason Group Tower	2011 2013 2014	Cheung Sha Wan Tsuen Wan Kwai Chung	41%
2	Wheelock Properties (Hong Kong) Limited	585,082	ONE Midtown	2012	Tsuen Wan	20%
3	Sun Hung Kai Properties Limited	336,052	CEO Tower	2011	Cheung Sha Wan	11%
4	Henderson Land Development Company Limited	253,256	Global Gateway Tower	2015	Cheung Sha Wan	8%
5	Star Properties Group (Cayman Islands) Limited	152,254	The Galaxy	2014	Kwai Chung	5%
6	First Group Holdings Limited	119,997	HTR 35 (FUN Tower)	2013	Kwun Tong	4%
7	New Venture Investment Limited	116,114	New Venture Centre	2012	Tsuen Wan	4%
8	HKR International Limited	93,623	DAN 6	2011	Tsuen Wan	3%
9	K Wah International Holdings Limited	66,504	SOLO (83 Bedford Road)	2013	Tai Kok Tsui	2%
10	Hanison Construction Holdings Limited	57,211	93 Bedford Road	2014	Tai Kok Tsui	2%

*Source:* Buildings Department and Lands Department, Hong Kong, Town Planning Board and Public Market Information

*Note:* Included Private Flatted Factories completed since 2011, but excluded Private Industrial/Office, Private Specialised Factories and Private Storage.

A number of competitive strengths are crucial to our success and are essential for our future growth, including (i) our property development projects are located in areas with attractive development potential in Hong Kong, including Kwai Chung, Tsuen Wan and Yuen Long; (ii) ability to secure new projects and source property/land in Hong Kong; (iii) we have an experienced and stable management team with strong business acumen and can respond swiftly to market demand; (iv) effective project management and stringent quality control; and (v) we have established business relationships with real estate agencies, through which we have acquired quality properties for redevelopment and investment.

Although there is no explicit entry barrier to the property market in Hong Kong, it requires intensive capital commitment, deep professional expertise and extensive market knowledge in a successful bidding for a development site, execution of the property development project and sale of the units of the property development project.

### OUTLOOK OF THE PRIVATE INDUSTRIAL AND OFFICE MARKETS

The demand for newly built industrial building and studio office markets is in healthy and steady growth pattern, underpinned by the relatively stable demand and relatively limited supply of such properties. As suggested by the Planning Department, as at 31 December 2014, 8.6 ha of industrial sites are subject to rezoning to other uses, while another 29.2 ha of industrial sites are subject to ongoing studies for possible rezoning to other non-industrial uses. There is a good potential in developments of newly built industrial buildings and Studio Offices in industrial and “OU(B)” zones subject to the Hong Kong Government initiatives and increasing demand for these two markets.

As our development heavily depends on market sentiments and health growth of the economy, the possibility of sudden change in macro-economic conditions and the possible emergence of PRC developers may pose potential challenges to our development.

### HISTORICAL PRICE TRENDS OF RAW MATERIALS AND LAND

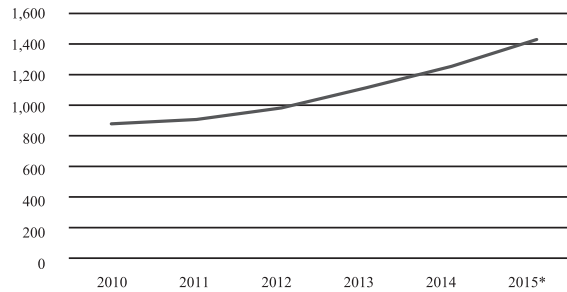
During the past five years, due to the launch of a number of major infrastructure projects, such as Central Reclamation, Hong Kong Zhuhai Macau Bridge, Kowloon West High Speed Rail project, there is a general increase in the costs of construction labour. However, some building materials like mild steel round bars and high tensile steel bars experienced decline in price during the past five years mainly due to the drop in commodity prices during such period. Land cost generally accounts for the largest percentage of a development project’s expenditure. The shortage of land supply has been a core issue in

## INDUSTRY OVERVIEW

Hong Kong real estate market, only one commercial land sold in 2010 and no industrial land sold during the period between 2010 and 2014. The prices for commercial land went up from HK\$258,819 per sq.m. in 2011 to HK\$496,841 per sq.m. in 2015, recording a CAGR of 39.0% during this period. There were fluctuations in the land price as the unit price of each parcel of land varied due to different plot ratio restrictions and locations.

Cost of development sites generally accounts for the largest percentage of a development project's expenditure, which is in line with the property market trend. The following two graphs set out the costs of labour, construction materials and cost of development sites (mainly comprising the land cost) of Hong Kong during 2010 and 2014, and provisional figures in 2015.

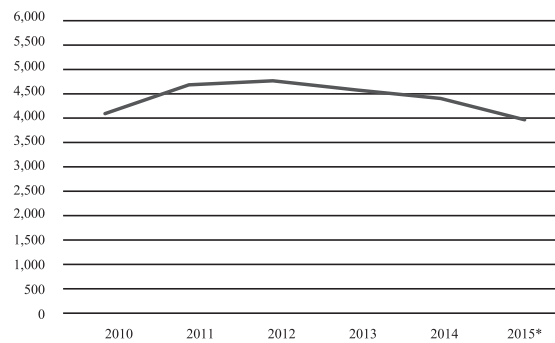
**Average daily wages of construction labours (2010–2015\*)**



*Source:* Lands Department, Hong Kong

*Note:* \*Provisional figures

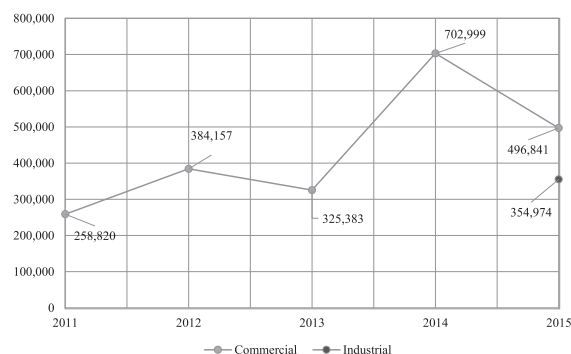
**Average wholesale prices of selected building materials (2010–2015\*)**



*Source:* Lands Department, Hong Kong

*Note:* \*Provisional figures

**Historical price of commercial and industrial land sold by Hong Kong Government (2010–2015)**



*Source:* Lands Department, Hong Kong

*Note:* Provisional figures

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## REGULATORY OVERVIEW

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### REGULATORY OVERVIEW OF THE HONG KONG PROPERTY INDUSTRY

Set out below is a brief summary of the laws and regulations that currently materially affect us in our operations in the property industry in Hong Kong.

#### **(i) The Land system in Hong Kong**

The freehold of all land in Hong Kong (except St. John's Cathedral located in Central, Hong Kong) is owned by the Hong Kong Government. In general, the Hong Kong Government grants land on a leasehold system. Leases granted to private parties are commonly in the form of "government leases" which typically contain certain standard restrictions and carry a nominal annual rent, or in the form of "Conditions" which usually contain more restrictions and an annual rent linked to rateable value of the land and under which the lessee will, subject to compliance with the conditions, be entitled to a lease of the land. There are five different kinds of "Conditions", namely, "Conditions of Sale", "Conditions of Exchange", "Conditions of Grant", "Conditions of Regrant" and "Conditions of Extension". All five different Conditions are compendiously referred to herein as "conditions of grant". The lessee of the government lease or conditions of grant is generally referred to as the owner of the leased property in the Hong Kong property market.

There are various covenants in the conditions of grant and in the government leases, including land use and development restrictions. If a lessee wishes to modify the land use restrictions or remove or modify development restrictions in a government lease or conditions of grant, the lessee must make an application to the Director of Lands, and a premium may be required to be paid for this.

#### **(ii) Land sale programme**

Government land in Hong Kong is normally disposed of by way of public auction or tender under which the Hong Kong Government sells the land to the highest bidder or tenderer for a premium.

The Hong Kong Government includes sites that it expects will be available for sale in the Land Sale Programme. According to the information made available to the public by the Lands Department of the Hong Kong Government, land sales under the 2014–2015 Land Sale Programme and the 2015–2016 Land Sale Programme (up to February 2016) are conducted through tenders.

#### **(iii) Terms of government lease**

The terms of government leases vary. In the past, government leases had been granted for fixed terms of 75 years, 99 years, 150 years or 999 years with or without right of renewal. At present, leases or conditions of grants are usually granted for a term of 50 years. In the New Territories, pursuant to the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong), with the exception of short term tenancies and leases for special purposes, the terms of government leases have been automatically extended to 30 June 2047, without payment of any additional premium, although the lessees are required under the Government Rent (Assessment and Collection) Ordinance (Chapter 515 of the Laws of Hong Kong) to pay to the Hong Kong Government from the date of extension an annual rent of an amount equal to 3% of the rateable value of the land from time to time.

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## REGULATORY OVERVIEW

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Since 1 July 1997, the Basic Law of Hong Kong (the “**Basic Law**”) came into effect. Article 8 of the Basic Law provides that all laws previously in force in Hong Kong prior to 1 July 1997 (including the rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, except for any that contravene the Basic Law, and subject to any amendment(s) by the legislature of Hong Kong. It is further provided under Article 120 of the Basic Law that all leases granted, decided upon or renewed before the establishment of the HKSAR which extend beyond 30 June 1997, and all rights in relation to such leases, shall continue to be recognised and protected under the laws of Hong Kong. In respect of leases of land without a right of renewal which expire after the establishment of the HKSAR, Article 123 of the Basic Law provides that such leases shall be dealt with in accordance with the laws and policies formulated by the Hong Kong Government on its own.

### *Lease modifications*

It is the Hong Kong Government’s policy to allow the modification of existing lease conditions regarding a lot, so that redevelopment can comply with current town planning requirements under outline zoning plan. A premium equivalent to the difference in land value between the development permitted under the existing lease and that permissible under the new lease is charged for any modification granted.

The registered owners of the land or their formally appointed agents (with written authorization to act on their behalf) may make application for a lease modification to the Lands Department. Once an application for lease modification has been received and accepted, the District Lands Office (the “**DLO**”) will then circulate the application to other government departments for comments. The DLO will prepare a submission on modified lease terms for the District Land Conference comprising interdepartmental and multi-disciplined group of government officials (the “**DLC**”). The applicant will be invited to attend the DLC to explain the background and answer any questions that may arise.

Following the DLC’s approval, the applicant will receive a letter from the DLO setting out the provisional basic terms offer of the lease modification which reflect all the technical and planning issues raised, discussed and agreed at the DLC, excluding the land premium amount and the administrative fee.

Upon receipt of a submission from the DLO, the valuation section of the Lands Department will notify the applicants and vet all the submissions before referring them to the valuation committee/valuation conference for consideration. During this period, the applicant may submit additional information and/or clarifications they consider relevant to the premium assessment direct to valuation section of the Lands Department. When the land premium has been assessed by the Lands Department’s valuers, the DLO will then send the binding basic terms offer which includes a comprehensive draft set of the proposed new lease conditions and the amount of land premium to the applicant for acceptance, which is usually required to be accepted within one month of the date of the offer letter. Upon receipt by the Lands Department of the written acceptance from the applicant together with, among other things, payment of a deposit equivalent to 10% of the agreed land premium, a binding contract will be regarded as having been entered into between the HK Government and the applicant. Generally, within three months after such formation of binding contract, the Lands Department will issue the lease modification letter to the applicant for execution and require the applicant to pay the balance of the agreed land premium. The executed modification letter will be registered at the Lands Registry with the concerned registration fee to be paid by the applicant.

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## REGULATORY OVERVIEW

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If the applicant does not accept the land premium offer, he/she/it may appeal but the Hong Kong Government will only consider the appeal on the condition that the applicant agrees to all the binding basic terms offer (other than the land premium). The land premium will be re-assessed as at the date the appeal is considered. After settlement of the appeal (if any), the DLO will issue the binding basic terms offer to the applicant, which will basically follow the terms and conditions agreed-in-principle by the applicant and as approved by the DLC, including the re-assessed land premium. Any revised assessment to be carried out will be at value current at the time of re-assessment, which could be the same as, or higher or lower than, the premium originally offered.

Under the standard modified lease terms, there contains a restriction on alienation which provides that, except with the prior written approval from the Director of the Lands Department, no pre-sale of any units under the lease modification can be made unless the lease modification letter has been executed and all the conditions of the lease modification letter have been complied with (i.e. including the payment of land premium).

#### **(iv) Multi-storey buildings and deeds of mutual covenant**

Multi-storey buildings are common in Hong Kong. The Hong Kong Government does not issue a separate government lease for each unit in a multi-storey building. Generally, a document known as a “deed of mutual covenant” notionally divides the building and land granted under the government lease or conditions of grant into a number of equal undivided shares. The land and building are held by the co-owners as tenants in common in the proportions of these undivided shares held by the various owners within the building. The owners of units in a multi-storey building own collectively both the land (by way of leasehold) and the building on it.

Deeds of mutual covenant generally contain co-owners’ agreements as to the manner of regulating their co-ownership of the land and the building and the effective management and maintenance of the land and the building. Some deeds of mutual covenant may also provide for management shares to be allocated to each unit for the purposes of calculating a co-owner’s contribution to management expenses. Under a deed of mutual covenant, each co-owner is allocated a number of undivided shares in the building and land together with the right to the exclusive use, enjoyment and occupation of the co-owner’s unit(s) to the exclusion of other co-owners. The deed of mutual covenant also gives each co-owner certain rights and obligations in relation to the use, maintenance and repair of the common parts and facilities of the building(s), to which each co-owner is bound to contribute a proportionate share of the associated costs and expenses in accordance with the undivided shares or management shares allocated to the co-owner’s unit(s). A deed of mutual covenant also generally requires a co-owner to pay management fee deposits and to make contributions to the management funds before taking possession of a unit.

If the conditions of grant in relation to a new building contains a condition restricting the vendor from assigning, charging or disposing of any interest in the land subject to, among other things, the vendor first obtaining the approval in writing of the Director of Lands to the deed of mutual covenant, before sale or disposal of any interest in the land, the vendor is required to submit the draft deed of mutual covenant to the Legal Advisory and Conveyancing Office (the “LACO”) of the Lands Department for approval. For the purpose of providing a system of building management in private



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## REGULATORY OVERVIEW

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developments involving the vendors and purchasers as co-owners and property managers, the LACO has produced a set of guidelines (the “**LACO DMC Guidelines**”) for the approval of deed of mutual covenants on behalf of the Director of Lands where required under conditions of the conditions of grant.

In the absence of the condition requiring deeds of mutual covenants to be approved by the Director of Lands in the conditions of grant, the solicitor acting for the vendor in the drafting of such deeds of mutual covenants must adhere to the guidelines for drafting deeds of mutual covenants issued by the Law Society of Hong Kong (the “**Law Society’s DMC Guidelines**”). A solicitor who wishes to deviate from the Law Society’s DMC Guidelines must apply to the Law Society for waivers in the prescribed application form with payment of the prescribed fee.

### (v) **Consent scheme and the Non-Consent Scheme**

The sale and purchase of units in an uncompleted development is governed either by the Consent Scheme or the Non-Consent Scheme.

#### *Consent Scheme*

The Lands Department Consent Scheme, as introduced in 1961, is administered by the LACO on behalf of the Director of Lands.

Where the land on which a development is being erected is:

- (a) subject to a restriction on alienation prior to compliance with all the conditions in the conditions of grant governing the land; or
- (b) subject to an exclusion order issued by the Lands Tribunal under the Landlord and Tenant (Consolidation) Ordinance (Chapter 7 of the Laws of Hong Kong),

if a registered land owner wants to sell any units in the development before it is completed, the sale is governed by the Lands Department Consent Scheme. The registered land owner must apply through its solicitors to the LACO for the consent of the Director of Lands to enter into agreements for sale and purchase of the units.

Before the issue of the consent to enter into agreements for sale and purchase, a number of criteria must be fulfilled. The consent is given at the sole discretion of the Director of Lands and, if given, is subject to various conditions that may be imposed by the Director of Lands which typically include the condition that the form of the agreements for sale and purchase cannot be varied without the written consent of the Director of Lands.

The LACO has issued circular memoranda setting out the criteria to be fulfilled, rules and other information applicable to the Lands Department Consent Scheme in relation to the sale of units in an uncompleted development, uncompleted phase, completed development pending compliance (i.e. no certificate of compliance or consent to assign has been issued by the Director of Lands), or completed phase pending compliance which are governed by the Lands Department Consent Scheme.

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## REGULATORY OVERVIEW

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### *Non-Consent Scheme*

The Non-Consent Scheme was introduced in 1980 and is regulated by the Law Society of Hong Kong.

Where a new development does not fall under the Lands Department Consent Scheme, purchasers are protected by the Non-Consent Scheme. For example, the Non-Consent Scheme would apply if the new building is erected on a piece of land held under an existing Government lease with no restriction on alienation, which has been acquired by the developer by way of acquiring all units in an old multi-storey building erected on the land.

If the same solicitor is to represent both the developer and the purchasers in the conveyancing transaction, the Non-Consent Scheme imposes professional obligations to be complied with by solicitors. In such cases, the requirements include the use of a prescribed form of agreement for sale and purchase which is similar to the form required for the Consent Scheme. The solicitor would also have to undertake to ensure that the purchasers are protected in a way similar to that offered by the Consent Scheme. Failure to comply with the Non-Consent Scheme would result in professional misconduct on the part of the solicitor and liability to the purchasers for compensation.

### **(vi) Compulsory acquisition of land**

As many old multi-storey buildings in Hong Kong are held under co-ownership as referred to in paragraph (iv) above, in order to redevelop an old multi-storey building, a developer needs to acquire all units in the building from each individual co-owner. Prior to 1999, in the event where one minority co-owner of a building refused to sell his unit to the majority owner and developer, the redevelopment of the building could not proceed. To address this situation, the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong) was enacted in 1998 and came into operation in 1999, whereby a person who owns (or persons who together own, other than as mortgages) not less than 90% of the undivided shares in a lot may make an application to the Lands Tribunal for an order for the sale of the whole building for the purpose of redevelopment. The Land (Compulsory Sale for Redevelopment) Ordinance applies to all types of properties. If an applicant can prove to the satisfaction of the Lands Tribunal that certain specified requirements have been met, the Lands Tribunal may order the whole lot, including all the units owned by the minority owners, to be sold by way of public auction. Under the Land (Compulsory Sale for Redevelopment) Ordinance, an applicant may apply to the Lands Tribunal for an order for compulsory sale for the whole lot if, amongst other things, the following conditions are satisfied:

- (a) the owner has already acquired not less than 90% of the undivided shares in the lot;
- (b) redevelopment is justified due to the age or state of repair of the building; and
- (c) the majority owner has taken reasonable steps to acquire all the undivided shares in the lot (including negotiating for the purchase of the shares owned by a minority owner on terms that are fair and reasonable).

The Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice (Chapter 545A of the Laws of Hong Kong), which came into force on 1 April 2010, has lowered the compulsory sale application threshold to 80% to the following three classes of lots:

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## REGULATORY OVERVIEW

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- (a) a lot with each of the units on the lot representing more than 10% of all the undivided shares in the lot. In such a case, the building must have less than 10 units;
- (b) a lot where the building is more than 50 years old; or
- (c) a lot where the building is an industrial building which is more than 30 years old and lies within a non-industrial zone under a draft or approved outline zoning plan prepared under the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong).

An applicant applying for a compulsory sale order under the above three categories must also satisfy the Lands Tribunal that (a) the redevelopment of the lot is justified due to the age or state of repair of the existing building; and (b) the majority owner has taken reasonable steps to acquire all the undivided shares in the lot.

### **(vii) Town Planning Board and outline zoning plans**

The Town Planning Board is a statutory body established under the provisions of the Town Planning Ordinance. One type of statutory plan prepared and published by the Town Planning Board is known as the “outline zoning plan”, which shows the land use zones, development parameters and major road systems of an individual planning area. Areas covered by outline zoning plans are generally zoned for specified uses such as residential, commercial, industrial, green belt, open space, government/institution/community uses or other specified purposes. Each outline zoning plan includes as an attachment a “schedule of notes” setting out the uses which are always permitted in a particular zone, and other uses for which prior permission must be sought from the Town Planning Board.

Under section 25 of the Urban Renewal Authority Ordinance (Chapter 563 of the Laws of Hong Kong), the Urban Renewal Authority (the “URA”) may submit any plan prepared under subsection (3)(a) of that section to the Town Planning Board for consideration. A plan which the Town Planning Board deems suitable for publication under the Urban Renewal Authority Ordinance is deemed to be a draft plan prepared by the Town Planning Board for the purposes of the Town Planning Ordinance and the provisions of the Town Planning Ordinance shall apply accordingly.

### **(viii) The Buildings Department and the Building Authority**

The Buildings Department provides, among other things, services to owners and occupants of both existing and new premises in the private sector through the enforcement of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and related legislation. Such services include reducing dangers and nuisances caused by unauthorised building works and advertisement signboards; promoting proper repairs and maintenance of old buildings, drainage and slopes; considering and approving alterations and additions works; processing submissions under the simplified requirements and the household minor works validation scheme of the minor works control system; improving fire safety measures in buildings and providing advice on the suitability of premises for the issue of licences for specified commercial uses; scrutinising and approving building plans, carrying out audit checks on construction works and site safety and issuing occupation permits upon completion of new buildings. Any alterations to the premises, including building as well as demolition of structures, which have been carried out without the requisite permits and consents under the authority of the Buildings Department may be subject to warning notices, and subsequently building orders issued by the Building Authority i.e. Director of Buildings.

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## REGULATORY OVERVIEW

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### *The enforcement policy of the Buildings Department*

The Buildings Department issued a revised enforcement policy on the prioritisation of enforcement work of the Buildings Department against unauthorised building works, which came into effect from 1 April 2011. The policy stated, amongst other things, that in respect of unauthorised structures on rooftops, flat roofs as well as those in yards and lanes of buildings, irrespective of their level of risk to public safety or whether they are newly constructed, the Buildings Department will no longer issue warning notices, and will, instead, issue building orders.

Pursuant to section 40 (1BA) of the Buildings Ordinance, any person who, without reasonable excuse, fails to comply with building orders issued under section 24(1) of the Buildings Ordinance is liable on conviction to a fine of HK\$200,000 and to imprisonment for one year, as well as a further fine of HK\$20,000 for each day during which failure to comply with the said order has continued.

Pursuant to section 40 (1B) of the Buildings Ordinance, any person who, without reasonable excuse, fails to comply with building orders issued under sections 26(1) or 28(3) of the Buildings Ordinance is liable on conviction to a fine of HK\$50,000 and to imprisonment for one year, as well as a further fine of HK\$5,000 for each day during which failure to comply with the said order has continued. Any prosecution under the Buildings Ordinance may be commenced within 12 months of non-compliance with the relevant building order or within 12 months of such non-compliance being discovered by or coming into notice of the Building Authority. In addition, if an order to remove unauthorised building works is not complied with, the Building Authority may direct the work to be carried out by a government contractor and recover from the owner of the offending property as at the date of completion of the work for all costs incurred, plus a surcharge.

### *Mandatory building inspection scheme and mandatory window inspection scheme*

The Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme were both implemented in June 2012 with the enactment of relevant amendments to the Buildings Ordinance through the Buildings (Amendment) Ordinance 2011 in June 2011 and the subsidiary legislation including the Building (Inspection and Repair) Regulation (Chapter 123P of the Laws of Hong Kong) in December 2011. The legislation empowers the Building Authority to issue statutory notices to owners as necessary and persons served with any such notices are legally required to carry out prescribed inspections and repairs of their buildings and windows. Failure to comply with such notices may attract penalties. The Buildings Department may also arrange for the required inspection and repair works to be carried out by its consultant and contractor, and then recover the cost of inspection and repair works as well as the supervision charge from the co-owners/owners' corporation of a building, together with a surcharge of not exceeding 20% of the cost.

### **(ix) Revitalisation Measures**

The HK Government announced a set of Revitalisation Measures to facilitate the redevelopment and wholesale conversion of older industrial buildings which came into effect on 1 April 2010. The Revitalisation Measures comprise:

- (1) measures to encourage redevelopment in non-industrial zones, which comprise:

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## REGULATORY OVERVIEW

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- (a) the lowering of application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong), which is a permanent measure. See “(vi) Compulsory acquisition of land” in this section for details;
  - (b) allowing lease modifications or land exchange for redevelopment at “pay for what you build” premium (i.e. based on the optimal use and proposed development intensity) for redevelopment of industrial buildings situated in non-industrial zones; and
  - (c) allowing owners who modify the lease for redevelopment to opt for payment of 80% of the premium for the lease modification by annual instalments up to five years at a fixed rate of interest, if the premium for the lease modification exceeds HK\$20 million); and
- (2) measure to encourage wholesale conversion in “Industrial”, “OU(B)” and “Commercial” zones.

Applications under the Revitalisation Measures are centrally processed by a dedicated team in the headquarters of the Lands Department, which issued three practice notes regarding applications for the Revitalisation Measures on 19 March 2010, 28 February 2012 and 29 January 2014 respectively. The practice note dated 19 March 2010 provides that application for the Revitalisation Measures under (1)(b), (1)(c) and (2) above may only be submitted to the Lands Department during the period from 1 April 2010 to 31 March 2013. Following a mid-term review on the Revitalisation Measures completed in September 2011, several refinements to the Revitalisation Measures were introduced and the deadline of application for the Revitalisation Measures under (1)(b), (1)(c) and (2) above was extended for three years from 31 March 2013 to 31 March 2016.

***Measures to encourage redevelopment in non-industrial zones — special arrangement for a lease modification (or a land exchange) for redevelopment of an industrial lot***

An owner of an industrial lot in a non-industrial zone may apply for a lease modification (or a land exchange, as the case may be) for redevelopment of the lot for non-industrial use as permitted under the relevant statutory town plan or as may be permitted by the Town Planning Board.

An application may be made for redevelopment of the lot concerned for non-industrial uses up to or less than the maximum permissible development intensity permitted under the relevant statutory town plan or, if there is no such limit under the statutory town plan, the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). An application will generally not be approved if the proposed development intensity for the redevelopment is less than 60% of the maximum permissible development intensity permitted under the relevant statutory town plans or (if applicable) the Buildings Ordinance.

Any application approved by the Lands Department would be subject to such terms and conditions as may be imposed, including payment of a premium. The land premium payable by the lot owner for the lease modification, to be assessed by the Lands Department, will be an amount equivalent to the difference between the value of the land under the previous lease conditions and its value under the modified lease conditions. An administrative fee will be payable to the Lands Department for processing the application. Under the special arrangement for a lease modification (or a land exchange) for redevelopment of an industrial lot, the premium is assessed on a “pay for what you build” basis (i.e. the assessment of premium is based on the optimal use and proposed development intensity) for

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redevelopment of industrial buildings situated in non-industrial zones. Further, the lot owners modifying land lease for redevelopment of industrial buildings are allowed to opt for payment of 80% of the land premium by annual instalments up to five years at a fixed rate of interest, if the premium for the lease modification exceeds HK\$20 million.

The building covenant to be included in the terms and conditions of the lease modification letter will normally specify that the redevelopment shall be completed within five years from the date of the execution of the lease modification.

***Measure to encourage wholesale conversion in “Industrial”, “OU(B)” and “Commercial” zones — special waiver for conversion of an entire existing industrial building***

An owner of an industrial building, located in a zone designated for “Industrial”, “Commercial” or “OU(B)” uses (together, the “**Designated Zones**”) according to the statutory town plans prepared pursuant to the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong), may apply for a special waiver at nil waiver fee for the change of use of the entire existing industrial building, for the lifetime of the existing building or until expiry or termination of the current lease, whichever is earlier. An application for a special waiver will be rejected if the zone within which the industrial building is located in the statutory town plans is changed to one other than any of the Designated Zones before the execution of the special waiver.

The eligibility criteria include, amongst others, the following:

- (a) at the time of the application, the age of the existing industrial building is not less than 15 years, calculated from the date of issue of the occupation permit for the entire building;
- (b) the application is submitted by the owner of the lot on which the building is erected, or if the building is in multiple ownership, jointly submitted by all existing owners of the lot, together with the consent from all mortgagees, chargees and purchasers who have entered into an agreement for the sale and purchase of the lot or building or any part thereof; and
- (c) the proposed uses of the building to be covered by the special waiver shall fall within either the categories of uses always permitted in the respective planning zones or the categories which require planning permission from the Town Planning Board. Such proposed uses should not include, among others, residential use.

Approval for the grant of a special waiver may be subject to such terms, covenants and conditions as may be imposed, including the following:

- (a) for applications for special waiver submitted on or after 4 February 2014, the total accountable GFA permitted under the building plans of the existing building last approved by the Building Authority before the application shall not be exceeded after the conversion. Subject to certain exceptions, no change to the external building structures, increase in building height or increase in building bulk will be permitted;
- (b) the conversion works required to enable the existing building to be used for the permitted uses under the special waiver shall in all respects comply with the current provisions of the Buildings Ordinance;

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## REGULATORY OVERVIEW

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- (c) any such required conversion works arising under or in relation to the special waiver must be completed within three years from the date of special waiver letter, and the owner shall provide documentary proof of completion of the conversion works (if any) (e.g. Form BA 14 or completion of works contract documents), which should be certified by an authorised person or other competent professionals;
- (d) in the event that an owner of a unit in the existing building shall sell, assign or otherwise dispose of the same or any interest therein or enter into any agreement so to do, the owner shall, upon the completion of the assignment, procure and submit to the Lands Department an undertaking under seal in favour of the HK Government from the purchaser or assignee of such unit (the “Purchaser”) that the Purchaser shall observe, comply with and be bound by all the terms, conditions and covenants in the special waiver; and
- (e) during the validity period of the special waiver, no part of the building may be used for any uses other than those specified in the special waiver.

The applicant shall pay a non-refundable administrative fee as and when demanded by the Lands Department upon submission of an application.

Owners need to approach other relevant authorities and departments, such as the Town Planning Board, Fire Services Department and the Building Authority, regarding any other approvals or licences that may be required under any ordinances, by-laws or regulations that are in force from time to time, whether or not the proposed uses that may be permitted under the special waiver would involve any alteration, structural or otherwise, to the existing building.

The special waiver, if approved by the Lands Department, shall be executed in the form of a special waiver letter by the lot owner (if the building is in single ownership) or jointly by all existing lot owners (if the building is in multiple ownership) as well as by the mortgagees, chargees and purchasers.

The special waiver, if approved and formally executed, will have effect only for the lifetime of the building in existence at the date of issue of the special waiver or until the lease term of the lot expires or is terminated, whichever is the earlier.

### **(x) Occupation permit**

An occupation permit is a document issued by the Buildings Department under the provisions of the Buildings Ordinance without which a new building may not be occupied. An occupation permit stipulates the permitted use of each part of the new building as at the time of issue, and may be issued in respect of the whole or part of a new building. If any material change is intended to be made to the use of any premises which would contravene the permitted use specified in the occupation permit, one month’s notice must be given to the Building Authority (“BA”) of the intended change and the BA may prohibit such change of use where, in its opinion, the building is not suitable by reason of its construction for the intended use. The occupation permit is important to a purchaser of a unit in a building as it confirms that the statutory requirements of the Buildings Ordinance have been complied with, and will also show the permitted use of the building. In the normal course of conveyancing practice, the occupation permit must be produced by a vendor to prove title in a property transaction.

### **(xi) Government rates in Hong Kong**

Government rates in Hong Kong is a form of indirect tax levied on properties by the Hong Kong Government. The revenue collected from government rates forms part of the Hong Kong Government's general revenue. Government rates are charged at a percentage of the rateable value of a property. Rateable value is an estimated annual rental value of a property at a designated valuation reference date, assuming that the property was then vacant and to let from year to year, on the basis that the tenant undertakes to pay all usual tenant's rates and taxes, whilst the landlord undertakes to pay the Hong Kong Government rent, the costs of repairs and insurance and any other expenses necessary to maintain the tenement to a state to command that rent.

Rateable values are subject to annual review by the Rating and Valuation Department of the Hong Kong Government in order to reflect more precisely changes in market rental values of properties. Subject to certain exceptions, generally properties in all parts of Hong Kong are liable to be assessed to rates under the Rating Ordinance (Chapter 116 of the Laws of Hong Kong). Both the owner and the occupier are liable for rates. In practice, payment of government rates is dependent upon the terms of the agreement between the owner and occupier of the premises. In the absence of any agreement to the contrary, liability for rates rests with the occupier.

For the current financial year of 2015–2016, the percentage charge for government rates is 5%. The designated valuation reference date for 2015–2016 revaluation is 1 October 2014 and the rateable values take effect from 1 April 2015.

### **(xii) Stamp duty in Hong Kong**

The Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) imposes duty, payable within a specified time frame, on certain types of transaction documents which include, but are not limited to, the following:

- (a) conveyance on sale;
- (b) agreement for sale of property; and
- (c) lease of immovable property.

The parties and all other persons executing the above types of transaction documents are liable for stamp duty.

If a chargeable document is not duly stamped, any person who uses such document is also liable for the stamp duty and any penalty. Non-payment of penalties under the Stamp Duty Ordinance will attract civil liability, and any chargeable instrument which is not duly stamped will generally not be admissible in evidence in any proceedings except criminal proceedings and civil proceedings by the Collector of Stamp Revenue to recover stamp duty or any penalty payable under the Stamp Duty Ordinance, or be available for any other purpose.



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## REGULATORY OVERVIEW

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The time limit for stamping instruments in relation to immovable properties is generally 30 days after the execution of such instruments. A penalty of up to ten times the amount of stamp duty may be payable for late stamping. However, under some circumstances, the penalty may be remitted upon written request.

### *Ad valorem stamp duty*

The Stamp Duty (Amendment) (No. 2) Ordinance 2014 (the “**Second Amendment Ordinance**”) was published in the gazette on 25 July 2014 and is deemed to have come into operation on 23 February 2013. The Second Amendment Ordinance aims to further amend the Stamp Duty Ordinance to adjust the ad valorem stamp duty (the “**AVD**”) rates and to advance the charging of AVD on non-residential property transactions from the conveyance on sale to the agreement for sale.

The main details of the Second Amendment Ordinance are as follows:

- (a) any agreement for sale for the acquisition of any residential property or non-residential property acquired on or after 23 February 2013, either by an individual or a company, will be subject to the new rates of AVD unless specifically exempted or excepted under the Second Amendment Ordinance; and
- (b) the new standard AVD rates are set out in the table below:

Consideration or value of the property (whichever is higher).....	New AVD rates
Up to HK\$2,000,000 .....	1.5%
Exceeding HK\$2,000,000 but not more than HK\$2,176,470 .....	HK\$30,000 + 20% of the excess over HK\$2,000,000
Exceeding HK\$2,176,470 but not more than HK\$3,000,000 .....	3.0%
Exceeding HK\$3,000,000 but not more than HK\$3,290,330 .....	HK\$90,000 + 20% of the excess over HK\$3,000,000
Exceeding HK\$3,290,330 but not more than HK\$4,000,000 .....	4.5%
Exceeding HK\$4,000,000 but not more than HK\$4,428,580 .....	HK\$180,000 + 20% of the excess over HK\$4,000,000
Exceeding HK\$4,428,580 but not more than HK\$6,000,000 .....	6.0%
Exceeding HK\$6,000,000 but not more than HK\$6,720,000 .....	HK\$360,000 + 20% of the excess over HK\$6,000,000

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## REGULATORY OVERVIEW

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Exceeding HK\$6,720,000 but not more than HK\$20,000,000 .....	7.5%
Exceeding HK\$20,000,000 but not more than HK\$21,739,130 ..... HK\$1,500,000 + 20% of the excess over HK\$20,000,000	
HK\$21,739,130 and above .....	8.5%

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OVERVIEW

Our Company was incorporated on 4 March 2016 in the Cayman Islands as the holding company of our Group. Star Properties (HK), Star Property Management, Diamond Vantage, Bright Port, Fountain Inc, Rainbow Red and Spring Moon are our principal operating subsidiaries during our operating history. Over the course of our business history, our shareholding structure has remained stable with Mr. Joe Chan, being our founder, chairman, executive Director, chief executive officer, and our Controlling Shareholder.

Immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued under the Share Option Scheme), Mr. Joe Chan, through Star Properties Holdings (BVI), will be indirectly interested in 68.9% of our entire issued Shares and will be our Controlling Shareholder under the Listing Rules.

### OUR HISTORY AND MAJOR BUSINESS MILESTONES

Our history can be traced back to November 2010, when Mr. Joe Chan acquired our operating subsidiary, Bright Port, which is the project company for holding our first property development project, The Galaxy. Under the leadership of Mr. Joe Chan, we continue to explore potential business opportunities in the property market in Hong Kong and expand our operations by continuing to acquire properties with scale and potential for redevelopment or value enhancement. During our operating history, we gradually established our position as a property developer engaged in property development and property investment of newly built industrial buildings and commercial buildings for sale or rental in Hong Kong.

The following table summarises various business milestones of our business from our inception to the present scale of operations:

<u>Key dates</u>	<u>Events</u>
<b>2010</b>	<ul style="list-style-type: none"><li>Entered into provisional sale and purchase agreement with an Independent Third Party (not through bidding or tender) in November 2010 for the acquisition of the site (without existing building) for the property development project of The Galaxy at a consideration of HK\$56.5 million. The acquisition was wholly funded by shareholder's loan from the shareholder's own resources.</li><li>Engaged architectural firm for the development project of The Galaxy in December 2010.</li></ul>
<b>2011</b>	<ul style="list-style-type: none"><li>Submitted general building plans in respect of The Galaxy to the Buildings Department in January 2011 and obtained approval from the Buildings Department in May 2011.</li><li>Completed the acquisition of the site for property development of The Galaxy in February 2011.</li></ul>

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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<u>Key dates</u>	<u>Events</u>
	<ul style="list-style-type: none"><li>• Commenced ground investigation works of The Galaxy and a bank facility in the sum of HK\$150 million was granted to finance the construction of The Galaxy in August 2011.</li></ul>
<b>2012</b>	
First quarter	<ul style="list-style-type: none"><li>• Engaged contractor for foundation works of The Galaxy in February 2012 and received consent for the foundation works of The Galaxy from the Buildings Department in March 2012.</li></ul>
Third quarter	<ul style="list-style-type: none"><li>• Received superstructure building approval of The Galaxy from the Buildings Department in July 2012.</li></ul>
Fourth quarter	<ul style="list-style-type: none"><li>• Completed foundation works of The Galaxy in December 2012 and commenced the building construction of The Galaxy in December 2012.</li></ul>
<b>2013</b>	
First quarter	<ul style="list-style-type: none"><li>• Engaged main contractor for superstructure of The Galaxy in January 2013.</li><li>• Pre-sale of The Galaxy took place in February 2013. Formal sale and purchase agreements in respect of more than 90% of the total number of the workshop units of The Galaxy were entered into during its pre-sale period. Received approximately HK\$70 million and approximately HK\$35 million, representing 10% and 5% of the total purchase price for the workshop units of The Galaxy sold, as deposits in February 2013 and March 2013 respectively.</li><li>• Entered into provisional sale and purchase agreement with an Independent Third Party (not through bidding or tender) in February 2013 for acquisition of a site with existing building for the property development of The Star at a consideration of approximately HK\$162.8 million. The acquisition was funded partly by shareholders' loan in an aggregate sum of approximately HK\$81.4 million from their own resources and partly by a bank loan in the sum of approximately HK\$81.4 million. A banking facility in the sum of approximately HK\$142.5 million was granted to finance the construction of The Star in May 2013.</li><li>• Engaged contractor for demolition works of The Star and commenced building construction in June 2013.</li></ul>
Second quarter	<ul style="list-style-type: none"><li>• Completed acquisition of the site for the property development of The Star and commenced demolition works in June 2013.</li></ul>

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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<u>Key dates</u>	<u>Events</u>
Third quarter	<ul style="list-style-type: none"><li>● Received approximately HK\$35 million, representing further 5% of the purchase price of the workshop units of The Galaxy being sold, as deposit in July 2013. Further, an additional banking facility in the sum of HK\$85 million was granted to finance the construction of The Galaxy in September 2013.</li></ul>
Fourth quarter	<ul style="list-style-type: none"><li>● Engaged contractor for foundation works of The Star in October 2013.</li><li>● Entered into provisional sale and purchase agreement with an Independent Third Party (not through bidding or tender) in December 2013 for acquisition of a site with an existing building, namely, the CWK Property, at a consideration of approximately HK\$173 million for the CWK Project.</li></ul>
<b>2014</b>	
First quarter	<ul style="list-style-type: none"><li>● Received approval of proposals in respect of the foundation works of The Star from the Buildings Department in January 2014.</li><li>● The acquisition of the CWK Property was funded partly by shareholders' loan in an aggregate sum of approximately HK\$103.8 million from their own resources and partly by a bank loan in the sum of approximately HK\$69.2 million.</li></ul>
Second quarter	<ul style="list-style-type: none"><li>● Obtained consent to commence foundation works of The Star from the Buildings Department in April 2014.</li></ul>
Third quarter	<ul style="list-style-type: none"><li>● Completed construction of The Galaxy and obtained occupation permit of The Galaxy issued by the Building Authority in August 2014. Further, issued notices of completion to purchasers of the completed units of The Galaxy and completed the delivery procedures with the purchasers.</li></ul>
Fourth quarter	<ul style="list-style-type: none"><li>● Completion of acquisition of the CWK Property, and engaged consultancy firm for handling the CWK Lease Modification Application in November 2014.</li><li>● Recognised approximately HK\$611.8 million as revenue in respect of the sale of workshop units of The Galaxy in the year ended 31 December 2014.</li><li>● Bright Port declared special dividends in the sums of approximately HK\$60 million and HK\$30 million in November 2014 and December 2014, respectively.</li></ul>
<b>2015</b>	
First quarter	<ul style="list-style-type: none"><li>● Submitted the CWK Lease Modification Application to the Lands Department in January 2015 to increase the GFA from approximately 40,979 sq.ft. (existing) to 154,973 sq.ft..</li></ul>

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Key dates	Events
	<ul style="list-style-type: none"><li>Entered into provisional sale and purchase agreement with an Independent Third Party (not through bidding or tender) in February 2015 for acquisition of a site with existing building, namely the Yue Fung Property, for a consideration of HK\$430 million for the Yue Fung Project. The acquisition was funded partly by shareholder's loan in the sum of approximately HK\$215 million from their own resources and partly by a bank loan in the sum of approximately HK\$215 million.</li><li>Obtained superstructure building approval of The Star from the Buildings Department. Engaged main contractor for superstructure construction works of The Star and commenced superstructure building construction of The Star in March 2015.</li></ul>
Second quarter	<ul style="list-style-type: none"><li>Engaged architectural firm for conversion of the entire existing industrial building to a commercial building in respect of the Yue Fung Property in June 2015 and a banking facility in the sum of HK\$170 million was granted to finance the redevelopment of the Yue Fung Project in June 2015.</li></ul>
Third quarter	<ul style="list-style-type: none"><li>Completed acquisition of the Yue Fung Property in July 2015.</li><li>Pre-sale of most of the units of The Star took place in September and October 2015 and entered into formal sale and purchase agreements for certain uncompleted units of The Star in September and October 2015.</li></ul>
Fourth quarter	<ul style="list-style-type: none"><li>Completed construction of The Star up to 7/F of the tower and received an aggregate of approximately HK\$71.3 million as initial and second deposits, representing around 10% of the purchase price of the relevant units of The Star being sold.</li><li>Submitted the Yue Fung Special Waiver Application for conversion of the entire existing industrial building to a commercial building in respect of the Yue Fung Property.</li><li>Conducted tender assessment on the tender of hoarding and demolition for the CWK Project in December 2015 and engaged contractor for carrying out the hoarding and demolition works.</li></ul>
<b>2016</b>	
First quarter	<ul style="list-style-type: none"><li>Obtained notice of acceptance of the Yue Fung Special Waiver Application, and submitted general building plans in respect of the Yue Fung Project to the Buildings Department in February 2016.</li><li>Submitted general building plans in respect of the CWK Project to the Buildings Department in January 2016, and commenced the first stage of the demolition works which involved the removal of unauthorised building works in the CWK Property.</li></ul>

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Key dates	Events
	<ul style="list-style-type: none"> <li>Completed construction of The Star up to 20/F of the tower.</li> </ul>
Second quarter	<ul style="list-style-type: none"> <li>Obtained and accepted the provisional basic terms offer in respect of the CWK Lease Modification Application from the Lands Department in April and May 2016, respectively</li> </ul>

Since the establishment of our operation in November 2010 and up to the Latest Practicable Date, our Group had (i) one completed project, namely, The Galaxy, (ii) one project under construction, namely, The Star, and (iii) two projects under development, namely, the Yue Fung Project and the CWK Project. As at the Latest Practicable Date, most of the workshop units of The Galaxy were sold and save for the parking spaces and three street level units, all of the uncompleted units of The Star were pre-sold. We currently expect to lease out the units of the Yue Fung Project after its completion for increased rental and hold them as investment properties for capital appreciation, and realise the office units of the CWK Project after its completion at an enhanced capital value and lease out the street level shops and parking spaces for rental income. See “Business” in this prospectus for details.

### CORPORATE STRUCTURE AND DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company and 14 subsidiaries which are either directly or indirectly wholly-owned by our Company.

Details of our 14 subsidiaries are set out below:

Number	Name of our subsidiary	Place of incorporation	Date of incorporation/ commencement of business	Principal business
1.	Star Properties Group (BVI)	BVI	8 March 2016	Investment holding
2.	Star Properties (BVI)	BVI	10 March 2016	Investment holding
3.	Star Property Management (BVI)	BVI	10 March 2016	Investment holding
4.	Bright Port (BVI)	BVI	10 March 2016	Investment holding
5.	New Moon	BVI	29 March 2011	Investment holding
6.	Inventive Rainbow	BVI	19 December 2013	Investment holding
7.	Celestial Design	BVI	26 August 2013	Investment holding
8.	Star Properties (HK)	Hong Kong	17 December 2012	Property investment and development, provision of sales and marketing services and project management services for our Group’s property development projects ( <i>Note</i> )

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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<u>Number</u>	<u>Name of our subsidiary</u>	<u>Place of incorporation</u>	<u>Date of incorporation/ commencement of business</u>	<u>Principal business</u>
9.	Star Property Management	Hong Kong	3 January 2013	Property management and provision of property management services for our Group's property development projects
10.	Diamond Vantage	Hong Kong	3 October 2014	Holding The Galaxy Parking Spaces
11.	Bright Port	Hong Kong	11 November 2010	Holding The Galaxy (except The Galaxy Parking Spaces)
12.	Fountain Inc	Hong Kong	6 February 2013	Holding The Star
13.	Rainbow Red	Hong Kong	25 November 2013	Holding the CWK Property
14.	Spring Moon	Hong Kong	28 August 2013	Holding the Yue Fung Property

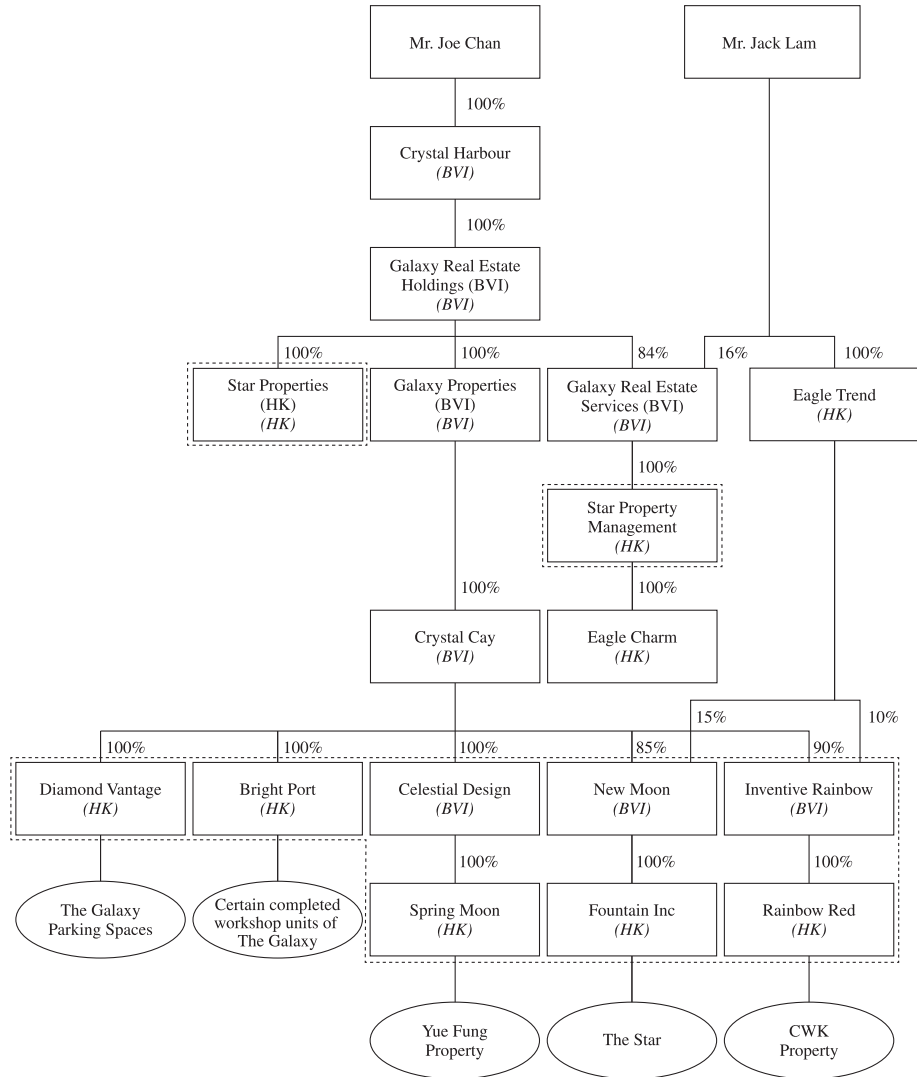
*Note:* Prior to 1 April 2015, GREIM, an associate of Mr. Joe Chan, provided project management services (the “**Project Management Business**”) for our Group’s property development projects. Apart from the Project Management Business, GREIM also carries out other businesses such as property management of serviced apartments and serviced workshops, and fund management. With an aim to consolidate the Project Management Business under our Group, on 1 April 2015, GREIM, as assignor, and Star Properties (HK), as assignee, entered into a deed of assignment whereby GREIM assigned its right, title, benefit and interest in a consultant agreement and a marketing and sales services agreement, being all of its existing business contracts in relation to the Project Management Business, to Star Properties (HK) at nil consideration with effect on 1 April 2015. The consideration was determined with reference to the internal reorganisation and the fact that GREIM and Star Properties (HK) were under substantially the same shareholding structure. Such assignment was properly and legally completed.



# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## REORGANISATION

The companies comprising our Group underwent the Reorganisation to establish and rationalise our Group structure in preparation for the Listing. Following the Reorganisation, our Company became the holding company of our Group. Set out below is the shareholding structure of our Group immediately prior to the implementation of the Reorganisation:



Companies which were our principal operating subsidiaries during the Track Record Period.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The major steps of the Reorganisation are set out below:

### **Incorporation of our Company**

Our Company was incorporated with limited liability in the Cayman Islands on 4 March 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. On the day of incorporation, 100 Shares were issued, allotted and credited as fully paid, of which 1 Share was issued to our initial subscriber, 89 Shares to Star Properties Holdings (BVI), a company wholly-owned by Mr. Joe Chan and 10 Shares to Eagle Trend (BVI), a company wholly-owned by Mr. Jack Lam, respectively. On the same day, the 1 Share held by our initial subscriber was subsequently transferred to Star Properties Holdings (BVI). On 22 March 2016, 900 Shares were allotted, issued and credited as fully paid, of which 828 Shares were issued to Star Properties Holdings (BVI) and 72 Shares were issued to Eagle Trend (BVI). As a result, our Company became directly owned as to 91.8% by Star Properties Holdings (BVI) and 8.2% by Eagle Trend (BVI). Since our incorporation, our Company has been an investment holding company without any business operations.

### **Incorporation of intermediate holding companies**

On 8 March 2016, Star Properties Group (BVI) was incorporated with limited liability in the BVI and was authorised to issue 50,000 ordinary shares of US\$1 each. On the same day, 100 shares in Star Properties Group (BVI) were issued, allotted and credited as fully-paid, to our Company.

On 10 March 2016, Star Properties (BVI) was incorporated with limited liability in the BVI and was authorised to issue 50,000 ordinary shares of US\$1.0 each. On the same day, 100 shares in Star Properties (BVI) were issued, allotted and credited as fully-paid, to Star Properties Group (BVI).

On 10 March 2016, Star Property Management (BVI) was incorporated with limited liability in the BVI and was authorised to issue 50,000 ordinary shares of US\$1.0 each. On the same day, 100 shares in Star Property Management (BVI) were issued, allotted and credited as fully-paid, to Star Properties Group (BVI).

On 10 March 2016, Bright Port (BVI) was incorporated with limited liability in the BVI and was authorised to issue 50,000 ordinary shares of US\$1.0 each. On the same day, 100 shares in Bright Port (BVI) were issued, allotted and credited as fully-paid, to Star Properties Group (BVI).

### **Acquisition of Star Properties (HK) by Star Properties (BVI) from Galaxy Real Estate Holdings (BVI)**

Immediately prior to the implementation of this step, Star Properties (HK) was directly wholly-owned by Galaxy Real Estate Holdings (BVI). On 18 March 2016, Star Properties (BVI) acquired the entire issued share capital of Star Properties (HK) from Galaxy Real Estate Holdings (BVI) at a nominal consideration of HK\$1. As a result, Star Properties (HK) became directly wholly-owned by Star Properties (BVI).

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### **Disposal of Eagle Charm**

Immediately prior to the implementation of this step, Eagle Charm was a wholly-owned subsidiary of Star Property Management. Eagle Charm was principally engaged in the provision of administrative services to our Group. Since Eagle Charm no longer carries on any business activity, on 18 March 2016, Galaxy Real Estate Services (BVI) acquired the entire share capital of Eagle Charm from Star Property Management at a nominal consideration of HK\$1. As a result, Eagle Charm became directly wholly-owned by Galaxy Real Estate Services (BVI).

### **Acquisition of Star Property Management by Star Property Management (BVI) from Galaxy Real Estate Services (BVI)**

Immediately prior to the implementation of this step, Star Property Management was wholly-owned by Galaxy Real Estate Services (BVI). On 18 March 2016, Star Property Management (BVI) acquired the entire issued share capital of Star Property Management from Galaxy Real Estate Services (BVI) at a nominal consideration of HK\$1. As a result, Star Property Management became directly wholly-owned by Star Property Management (BVI).

### **Acquisition of Bright Port and Diamond Vantage by Bright Port (BVI) from Crystal Cay**

Immediately prior to the implementation of this step, each of Bright Port and Diamond Vantage was wholly-owned by Crystal Cay. On 18 March 2016, Bright Port (BVI) acquired the entire issued share capital of each of Bright Port and Diamond Vantage from Crystal Cay at nominal considerations of HK\$1 and HK\$1, respectively. As a result, each of Bright Port and Diamond Vantage became directly wholly-owned by Bright Port (BVI).

### **Acquisition of New Moon and Inventive Rainbow by Star Properties Group (BVI) from Crystal Cay and Eagle Trend**

Immediately prior to the implementation of this step, New Moon was owned as to 85% by Crystal Cay and 15% by Eagle Trend; and Inventive Rainbow was owned as to 90% by Crystal Cay and 10% by Eagle Trend.

On 18 March 2016, Star Properties Group (BVI) acquired 85% of the issued share capital of New Moon from Crystal Cay and 15% of the issued share capital of New Moon from Eagle Trend at par values of US\$85 and US\$15, respectively. On 18 March 2016, Star Properties Group (BVI) acquired 90% of the issued share capital of Inventive Rainbow from Crystal Cay and 10% of the issued share capital of Inventive Rainbow from Eagle Trend at par values of US\$90 and US\$10, respectively.

As a result, each of New Moon and Inventive Rainbow became directly wholly-owned by Star Properties Group (BVI).

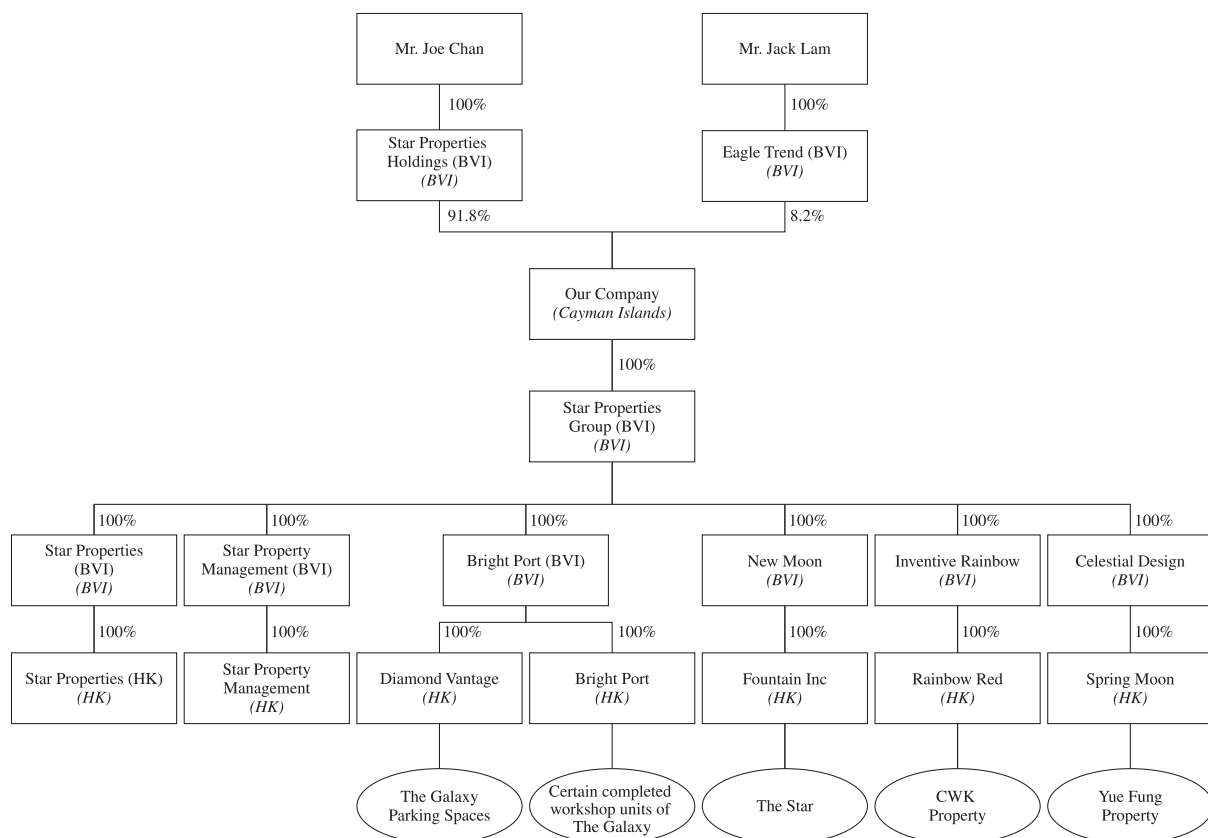
### **Acquisition of Celestial Design by Star Properties Group (BVI) from Crystal Cay**

Immediately prior to the implementation of this step, Celestial Design was wholly-owned by Crystal Cay. On 18 March 2016, Star Properties Group (BVI) acquired the entire issued share capital of Celestial Design from Crystal Cay at a par value of US\$1. As a result, Celestial Design became directly wholly-owned by Star Properties Group (BVI).

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

We have obtained the relevant bank consent for carrying out the Reorganisation.

The following chart sets out the shareholding structure of our Group immediately following the completion of the Reorganisation but immediately before the completion of the Capitalisation Issue and the Global Offering:



### Increase in authorised share capital

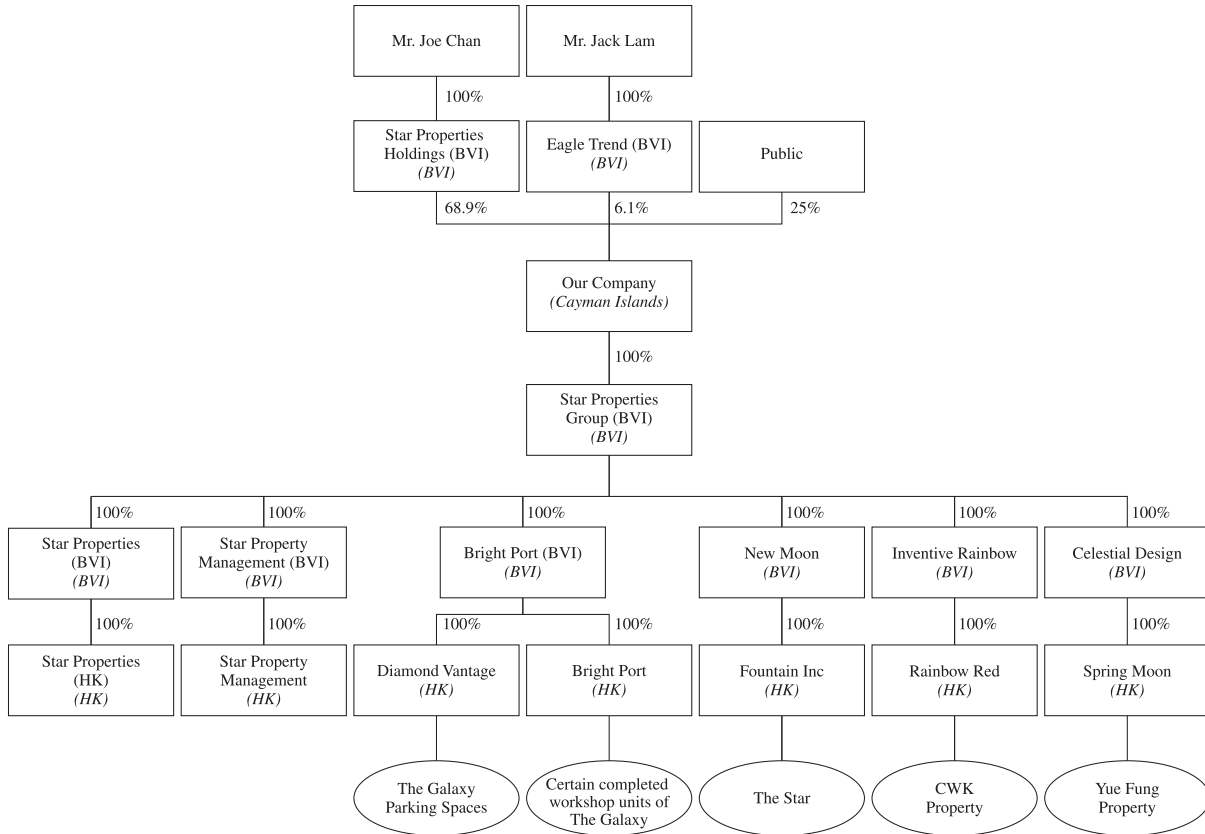
In contemplation of the Global Offering, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 962,000,000 Shares, pursuant to the extraordinary general meeting of our Shareholders held on 27 June 2016.

### Capitalisation Issue and the Global Offering

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 167,999,000 Shares credited as fully paid at par to our Shareholders whose names appear on the register of members of our Company at close of business on 27 June 2016 in proportion to their then respective shareholdings by way of capitalisation of the sum of HK\$1,679,990 standing to the credit of the share premium account of our Company and such Shares to be allotted and issued pursuant to the Capitalisation Issue shall carry the same rights as all Shares in issue or to be issued.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding structure of our Group immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be allotted and issued upon exercise of the options which may be granted under the Share Option Scheme) is set out below:



### OVERVIEW

We are a property developer principally engaging in property development of industrial buildings for sale or rental in Hong Kong. Our businesses are operated under two main business segments:

- **property development:** development of industrial development sites, redevelopment or enhancement (via alterations and additions works) of existing industrial buildings for the purposes of increasing their capital value and realising such increased capital value from sale of properties; and
- **property investment:** investment in properties with good capital appreciation potential and rental value, and leasing of such properties retained for the generation of attractive recurring rental income.

After acquisition of industrial properties such as industrial development sites and aging industrial buildings, we either (i) develop industrial development sites or redevelop industrial buildings into industrial buildings or commercial buildings; or (ii) carry out alterations and additions works on existing industrial buildings in order to enhance their capital and rental value.

With an aim to maximising the return on our properties and achieving a more stable income stream for our Group, depending on the then market conditions, we may sell part of our properties while we retain some of them for the purposes of generating a recurring rental income. Prior to the commencement of the property redevelopment or enhancement (via alterations and additions works), we may lease out the existing properties in order to generate rental income pending commencement of such redevelopment or enhancement works. Upon completion of the property redevelopment or enhancement works on our property projects, we may realise the properties at an enhanced capital value or lease them out at an increased rental if such properties have good capital appreciation potential. As such, we generally retain the parking spaces of our completed projects which we believe have a good potential for capital appreciation and lease them out for recurring rental income. If the return is attractive, we may consider realising the increased capital value of such parking spaces by disposing of them in the market.

Leveraging on the expertise and experience of our Group's management, since the establishment of our operations in 2010 and during the Track Record Period, we completed one newly built industrial building, namely The Galaxy, and had successfully enhanced its capital value, the completion of which took place in August 2014, and we also commenced the construction of another newly built industrial building, namely The Star, in June 2013 and its completion is expected to take place in the fourth quarter of 2016. Given that (a) we focus on industrial and commercial properties, the operation flow of our property development projects are similar; through the implementation of our property projects of The Galaxy and The Star, we have accumulated experience in identification and acquisition of development sites, obtaining pre-construction approval, project planning and design (including choosing and engaging architectural and engineering firms), project execution and supervision (including engaging contractors to undertake foundation and superstructure construction works), as well as pre-sales and marketing, (b) our Directors and senior management have relevant expertise and experience in our business; (c) we have built up a network of customers and suppliers, we believe we possess the necessary qualifications and will be competent to further develop our Group's business by carrying out future property development projects. Our Directors consider that The Galaxy and The Star have helped us to establish a foothold in property development in Hong Kong, in particular in the private industrial market. The Galaxy and The Star signify our strength in quality and design, enabling us to stand out as

## BUSINESS

a property developer with vision and expertise in the private industrial market. According to the JLL Report, in terms of the development of private industrial market, our Group ranked fifth in terms of total GFA of the properties completed since 2011.

All of the properties held by our Group as at the Latest Practicable Date were for industrial uses. It is our intention to convert the Yue Fung Property and redevelop the CWK Property into commercial properties with a focus on studio offices. We target to commence property enhancement works on the Yue Fung Property and redevelopment of the CWK Property in the fourth quarter and the third quarter of 2016, respectively.

For the three years ended 31 December 2015, the revenue of our Group amounted to nil, approximately HK\$611.8 million and approximately HK\$78.7 million respectively. A breakdown of our Group's revenue by business segment is set out below:

	For the year ended 31 December					
	2013		2014		2015	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Property development . . . . .	—	—	611,765	100.0	73,513	93.4
Property investment. . . . .	—	—	46	0.0	5,159	6.6
<b>Total revenue . . . . .</b>	—	—	611,811	100.0	78,672	100.0

During the Track Record Period, a majority of our revenue was attributable to sale of the completed workshop units of The Galaxy and a relatively small amount of our revenue was in the form of recurring rental income from leasing out certain parking spaces of The Galaxy and certain floors and parking spaces of the Yue Fung Property.

After the completion of construction of The Galaxy, our first completed project, in August 2014, delivery of the sold workshop units of The Galaxy took place in the third and fourth quarters of 2014 and revenue in respect of the sale of these sold workshop units was recognised upon such delivery in accordance with the relevant accounting standards. As such, no revenue was recorded by our Group for the year ended 31 December 2013. We generated revenue from the sales of certain completed workshop units of The Galaxy of approximately HK\$611.8 million and approximately HK\$73.5 million for the two years ended 31 December 2015 respectively, representing approximately 100.0% and approximately 93.4% of our total revenue for the same period. We also generated revenue from rental income of approximately HK\$46,000 for the year ended 31 December 2014 from leasing out certain parking spaces of The Galaxy and rental income of approximately HK\$5.2 million for the year ended 31 December 2015 from leasing out certain parking spaces of The Galaxy and certain floors and parking spaces of the Yue Fung Property. In December 2015, our Group entered into various sale and purchase agreements to sell certain parking spaces on the second floor of The Galaxy to Independent Third Parties and the respective completions of such sales are expected to take place in November 2016 and December 2016.

During the Track Record Period, we derived our profit mainly from sale of workshop units of The Galaxy. For the three years ended 31 December 2015, our Group recorded a net profit of approximately HK\$0.2 million, approximately HK\$196.1 million and approximately HK\$37.1 million respectively. During the same period, we recorded fair value gain of investment properties of approximately HK\$5.1 million, approximately HK\$12.0 million and approximately HK\$16.4 million respectively. Assuming such fair value gains were excluded, our Group would record an adjusted net loss of approximately

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HK\$4.9 million for the year ended 31 December 2013 and adjusted net profits of approximately HK\$184.1 million and approximately HK\$20.7 million for the two years ended 31 December 2015 respectively, the profit requirements under Rule 8.05(1)(a) of the Listing Rules would still be met.

Going forward, we expect that a substantial amount of revenue would be generated from the sale of units of The Star, of which the completion of construction and delivery of the sold units are expected to take place between the last quarter of 2016 and the first quarter of 2017 and a more stable income stream will be achieved by our Group as we anticipate an increase in contribution to our profit from rental as a source of recurring income as a result of the completion of the Yue Fung Project and the CWK Project.

### COMPETITIVE STRENGTHS

We believe that the following competitive strengths are crucial to our success and essential for our future growth:

#### **Our property development projects are located in areas with attractive development potential in Hong Kong**

We adopt a site selection policy which aims to strategically select areas with improving or improved infrastructures and change in land use zoning. We identify buildings and properties with attractive development potential where we are able to fully utilise the maximum permissible plot ratio and/or take advantage of the change in land use from industrial to commercial use for value enhancement. In order to bring good return to our Shareholders and establish our market position as a property developer of newly built industrial buildings and commercial buildings, our property development projects are located in areas with attractive development potential in Hong Kong, including Kwai Chung, Tsuen Wan and Yuen Long. These areas with good development potential are often characterised by anticipated population growth, thereby creating a need for development projects to house shopping malls, business services, small and medium sized enterprises as well as other amenities as a result of business cluster effect, and thus driving the demand for newly built industrial buildings and commercial buildings with the favourable policies from the Hong Kong Government to encourage creative and other non-polluting industries as economic drivers of Hong Kong. The location of our property development projects demonstrates our understanding of the segment of the Hong Kong property market in which we operate, which enables us to identify future sites with development potential in the property market.

##### ***(a) Kwai Chung***

The Galaxy is a completed property development project developed as a newly built industrial building located at No. 313 Castle Peak Road, Kwai Chung, New Territories, Hong Kong and has a site area of approximately 16,033 sq.ft.. The completion of construction and delivery of sold units took place in the fourth quarter of 2014 and 2015. The Star is a property development project under construction located at No. 18 Yip Shing Street, Kwai Chung, New Territories, Hong Kong which is to be developed as a newly built industrial building with a site area of approximately 10,000 sq.ft.. Its pre-sale was conducted in the third quarter of 2015 and its completion of construction is expected to take place in the fourth quarter of 2016.



Kwai Chung was a traditional industrial area in the New Territories and has been developed into an area with residential and commercial uses. According to the Planning Report, the overall vacancy of the industrial buildings in Kwai Chung based on GFA was about 2.6% as at 31 July 2014, which indicates that industrial buildings have been in high demand.

Given the increasing population in the Kwai Tsing District, there is an increasing need for commercial properties to house shopping malls and other amenities for the nearby residents. With the completion of large-scale shopping malls and other commercial complexes in Kwai Chung, it is expected that shoppers from nearby areas such as Kwai Hing, Kwai Fong and Tai Wo Hau will also be attracted to the area. Commercial properties had been redeveloped during the past decade in Kwai Chung, including the Kowloon Commerce Centre (“**KCC**”), which is a Grade A commercial building located at Tai Lin Pai Road, Kwai Hing. A footbridge is proposed to be built to link up Tai Lin Pai Road and Yip Shing Street where The Star is located. Improved pedestrian access to KCC and Kwai Hing MTR Station is expected in the future. As a result, The Star will be easily accessible to nearby commercial amenities in the future. It is expected that the area will be gradually transformed from a traditional industrial area into a commercial hub with offices, shopping malls and food and beverage outlets, to cater for the residents and shoppers from nearby districts. In light of the favourable policies from the Hong Kong Government such as the DesignSmart Initiative, The Innovation and Technology Fund and The SME Funding Schemes, there are increasing needs for small-and-medium sized enterprises and young entrepreneurs to look for offices to develop non-polluting industries including biotechnology, electronics, environment protection, garment and the logistic industry such as warehouses for e-commerce and online shopping business, which in turn drives the demand for newly built industrial building in a commercial hub.

*(b) Tsuen Wan*

Our CWK Property is located at Nos. 11–15, Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong. It has a site area of approximately 16,313 sq.ft. and is situated in an “OU(B)” zoned area where general business uses are permitted. Tsuen Wan was a traditional industrial area, which has been developed into an area with residential and commercial uses. Chai Wan Kok Street is located in the western part of Tsuen Wan and surrounded by industrial and residential areas.

According to the Planning Report, Tsuen Wan accommodates industrial land and industrial buildings with a total GFA of approximately 2,045,599 sq.m., the overall vacancy rate of the industrial buildings in Tsuen Wan based on GFA was about 6.4% as at 31 November 2013 and the uses of these industrial buildings include warehouse and storage, ancillary offices and manufacturing workshops.

In addition, favourable government policies towards the promotion of creative industries also boost the demand for land with “OU(B)” zoning. According to the JLL Report, the CreateSmart Initiative was established by the Hong Kong Government in 2009 with a total amount of HK\$300 million designated to provide financial support to initiatives that were conducive to the development and promotion of creative industries in Hong Kong. The booming creative industries, including films, music, design, animation, games and digital entertainment, printing and publishing, have led to an increase in the demand for office spaces in various areas such as Tsuen Wan.

*(c) Yuen Long*

Our Yue Fung Property is located at No. 22, Wang Yip Street South, Yuen Long, New Territories, Hong Kong. It has a site area of approximately 18,622 sq.ft. and is situated in an “OU(B)” zoned area where general business uses are permitted. Yuen Long District is an area with a mixed land use of residential, industrial and commercial uses. Located in the northwestern part of the New Territories, it had a population of approximately 601,100 in 2014.

It is expected that the population in Yuen Long will increase to approximately 680,100 by 2023, and approximately 18,200 new flats are completed, under development or proposed to be developed. In view of such expected population growth, there is a demand for expanded infrastructure and amenities such as shopping centres, schools and other community facilities to serve the population in the area.

**Ability to secure new projects and source development sites in Hong Kong**

We believe our experience as a property developer specialised in the development of newly built industrial buildings give us a strong competitive advantage in securing new projects and development sites. We also believe that our market position and industry recognitions are primarily attributable to our clear positioning with a focus on industrial and commercial buildings, our lean management structure, quality of our property development projects and our commitment to deliver high quality service.

Leveraged on our expertise and experience, we are confident that we will be able to grasp the opportunities of property development or redevelopment or enhancement of old industrial buildings whose original owners may not possess the necessary expertise and experience to carry out property redevelopment or enhancement, nor have the requisite funding to carry out such projects.

**We have an experienced and stable management team with strong business acumen and can respond swiftly to market demand**

Since the establishment of our operations in 2010, we have built an experienced and stable management team led by Mr. Joe Chan, our chairman, executive Director and chief executive officer. Mr. Joe Chan has extensive experience in a variety of investments and is able to identify the relatively untapped and profitable segment in the property market in Hong Kong. He has over five years of property development experience and over 30 years of advisory and trading experience gained from leading financial institutions, both in Hong Kong and overseas. His wealth of experience in asset management and various aspects of financial markets, including international property market, foreign exchange and debenture, has enabled him to build extensive business connections and networks and develop market insights which will provide guidance to our Group to identify trends and themes in the marketplace. Apart from advisory and trading experience, he also has extensive experience in the property market. Through his years of experience in asset management and property investment, Mr. Joe Chan has developed insights in the macro economic environment and the market trend and is thus responsible for helping the Group identify themes and opportunities in the property marketplace. Under his leadership, our Group has successfully established ourselves as a property developer with a focus on newly built industrial buildings and commercial buildings in Hong Kong.

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Our other executive Directors and senior management team, which comprises Mr. Jack Lam, Mr. Liu Hon Wai and Ms. Cheung Wai Shuen, also possess a wealth of industry experience. Mr. Jack Lam, our executive Director, is a registered architect possessing over 25 years of real estate investment and development experience in Hong Kong and the PRC. His experience ranges from acquisition of projects, and management of design and construction of development projects. Prior to joining our Group, he had been a project development head for several large scale residential and commercial developments in Hong Kong and was responsible for overseeing property development projects, which is relevant to his present role in our Group, namely to oversee all property development projects. His professional knowledge and experience enables our Group to excel in various aspects of our business including the overall project management, business direction, site selection and project development strategies of our Group. Mr. Liu Hon Wai, an executive Director and our head of sales and marketing, is an experienced professional in the property market with over 21 years of property sales experience and has over three years of experience in the property development industry. He also received awards for his outstanding performance during his employment with Centaline Property Agency Limited during the period between 1995 and 1999, and in 2001 and 2007. His in-depth knowledge and insights as to customers' preference, marketing strategies, pricing tactics and extensive network in the real estate market also facilitate our Group in launching marketing campaigns, sales and advertising activities. Mr. Lee Lap Yan Philip and Mr. Kan Chi Chung, members of the senior management of our Group, have over 14 years of experience in the property development, architectural, building and construction industries and over 18 years of experience in the fields of property development, quantity surveying and project management, respectively. We believe our insight into the Hong Kong property market allows us to plan and deliver properties which cater for the needs of our target customers. We also swiftly sold out the majority of the workshop units of The Galaxy during the pre-sale period of less than two weeks in February 2013. Apart from the parking spaces and three street level units which will be sold at the time when our Group considers appropriate, we successfully sold all units of The Star during the pre-sale period of less than three weeks in the third quarter of 2015. Ms. Cheung Wai Shuen, our executive Director and company secretary, has around 20 years of experience in accounting and financial management, and has solid experience in financial management, accounting, internal control and corporate planning.

See "Directors and Senior Management" in this prospectus for further details of our management team. The vision of our management team will continue to play a crucial role in building our future business and enhancing our brand recognition.

### **Effective project management and stringent quality control**

We have a lean management team, with seven members as our core management. The closely-knit management team enables us to have a streamlined decision making process and an effective project management. We closely manage and monitor every stage of our property development, which we believe contribute to our effective project management, in particular, design management and cost control. Our stringent quality control and effective project management allow us to focus more on the critical aspects of the development projects, which are reflected in the quality of our development and building design.

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We have stringent control over the quality of our construction work, by way of screening our contractors through a tendering process, taking into consideration their track record performance, quality of workmanship, proposed delivery schedules and tender prices in our selection process. Most of our major contractors engaged by us during the Track Record Period had industry accreditations such as ISO 9001, ISO14001 and/or OHSAS 18001.

We believe that our emphasis on streamlined decision making process are essential for effective project management. We conduct frequent market studies on potential acquisition opportunities and implement development plans to create long-term value in our projects. We carefully assess the long-term potential of our development projects including their locations, transport links, the scale of the project including maximum permissible plot ratio, the suitability to carry out alterations and additions works, the opportunity for future growth and their ability to withstand competitive threats over the long term. We are disciplined in our valuation assessment and forgo opportunities which we believe the return may not be attractive to us over the long term. For example, we have successfully enhanced the value of our property portfolio through our redevelopment projects such as The Galaxy and The Star. Our effective and experienced project management capabilities are also characterised by a focus on property enhancement and capturing opportunities arising from market trends.

**We have established business relationship with property agencies, through which we have acquired quality properties for redevelopment and investment**

Since the establishment of our operations in 2010, we have acquired quality properties for redevelopment and investment as and when our management considered appropriate, and have established business relationship with a number of property agencies which have access to quality properties available for sale and potential purchasers and tenants of our properties. We believe that such property agencies are able to understand our preferences and property investment strategies. We believe that our relationship with an extensive network of property agencies have enabled us to have early access to quality properties available for sale and acquire properties at competitive prices, and extend our reach to a variety of potential purchasers and tenants of our properties.

### **OUR BUSINESS STRATEGIES**

**Continue to pursue property development opportunities in areas with attractive development potential**

We seek to enhance long-term value of our properties by development or redevelopment or enhancement by carrying out alterations and additions works in our property development projects. To achieve this, we will continue to select sites with attractive development potential. We will continue to engage in development projects which we believe will have the suitable scale, mix of uses and transport links to become key commercial and industrial destinations for the local neighbourhoods.

We have a pipeline of three development projects, namely, The Star, the Yue Fung Project and the CWK Project, which will create value for our Group. The Star is currently under construction and the pre-sale of all of its 284 units (other than the three street level units and parking spaces) took place in the third quarter of 2015. We expect its completion of construction to take place in the fourth quarter of 2016. Further, we plan to commence construction works for two of our property development projects, namely the Yue Fung Project and the CWK Project, during the second half of 2016.

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The Yue Fung Project will involve the carrying out of alterations and additions works on the Yue Fung Property, which is currently a 10-storey building with a GFA of 93,100 sq.ft. and aged over 30 years. This existing building is expected to be converted into a multi-purpose commercial building comprising mainly studio offices, for commercial services such as clinics, tutorial centres, music workshops, restaurants, and recreational centres, which provide services generally needed by the neighbourhood. We expect that the change in the use of property from industrial use to commercial use and alterations and additions works to be carried out on the Yue Fung Property will bring enhancement to its value. See “Our Development Projects — Projects Under Development — Yue Fung Project” in this section for details of the status of the Yue Fung Project.

The CWK Project will involve the change in land use under government lease from industrial use to commercial use, the demolition of an existing three-storey industrial building and the development of a 20-storey office tower with podium comprising a mixed use of offices and commercial services. It is expected that upon completion of the CWK Project, the commercial building will increase to a GFA of 154,973 sq.ft. comprising a 20-storey office tower, podium shops, restaurants and parking spaces, as opposed to the GFA of 40,979 sq.ft. of the original three-storey industrial building, resulting in a significant increase in plot ratio and thus the value of the property. See “Our Development Projects — Projects Under Development — CWK Project” in this section for details of the status of the CWK Project.

In terms of timing, given that the delivery of The Star is expected to take place in the fourth quarter of 2016 and the completion of the CWK Project is expected to take place in the third quarter of 2019, it is our strategy to, subject to general market conditions and the outcome of commercial negotiations, acquire new development site(s) for potential property development project(s) as an effort to increase the number of projects in our property portfolio. As a small-to-medium sized property developer and due to the capital intensive nature of the property development business, at the early stage of our business development, we adopted a relatively prudent approach to take on one project at a time (namely The Galaxy and then The Star). Having gained the experience through the successful completion of one project and the smooth execution of another project which is approaching completion by the end of 2016, our Directors believe that we are well positioned to adopt a more proactive approach to commence two projects over the same period (namely the CWK Project and the Yue Fung Project). We are currently handling three projects at the same time (namely The Star, the CWK Project and the Yue Fung Project), and in view of the anticipated completion of The Star by the end of 2016, we intend to acquire and develop additional project(s).

It has been our practice to complete one property development project in around every two years, given the size of capital and number of projects on hand, we intend to acquire and develop one to two additional projects thereby increasing the number of projects on the pipeline at the same time, in order to reduce the time gap between the completion of the projects and hence smoothen our revenue cycle, as well as to support the long-term expansion of our Group’s business.

After the Listing, we plan to acquire one to two new development sites that are similar to the ones we worked on before. We are actively identifying and evaluating suitable development sites with a view to replenishing our project pipeline. Our Directors are confident about the prospect of industrial and commercial property market in Hong Kong due to the rising demand and yet the shortage in the supply of newly built industrial buildings and commercial buildings in Hong Kong. Our Directors believe that there are potential acquisition targets of suitable development sites available in areas such as Kwai Chung (where The Galaxy and The Star are located), Tuen Mun, Fanling and Tsuen Wan. In particular, we have conducted our own market research and noted that there are not less than eight potential acquisition target development sites currently available in the market which are within our budget and which we believe have attracted development potential. Based on market information, such potential

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acquisition target development sites currently open for sale in the market are either vacant site(s) or development site(s) with industrial buildings aged from around 27 to 55 years and are located in Kwai Chung, Tuen Mun, Fanling or Tsuen Wan.

The expected acquisition price of such potential targets range from approximately HK\$80 million to HK\$500 million. These potentially targeted development sites are within the “I” or “OU(B)” zones and we intend to develop the new development site into a newly built industrial building or a commercial building (as the case may be).

We intend to allocate 70% of the net proceeds from the Global Offering for acquiring suitable development site(s) in Hong Kong to replenish our project pipeline for our property development business. See “Future Plans and Use of Proceeds” in this prospectus for details of our future development plan. Upon Listing, approximately HK\$190.0 million of the amounts due to Directors will be capitalised. The following table sets out the expected funds to be available to us for acquiring suitable development site(s) for illustrative purpose only:

	<i>Approximate HK\$ million</i>	<i>Notes</i>
70% of the estimated net proceeds from the Global Offering for acquisition of new development site(s) . . . . .	47.5	(1)
Estimated available bank facilities for acquisition of new development site(s). . . . .	213.8	(2)
<b>Total estimated available funding upon Listing . . . . .</b>	<b>261.3</b>	
Project specific loan to be secured by a pledge of the development site(s) to be acquired. . . . .	261.3	(3)
<b>Total estimated maximum available funding for acquisition new development site(s). . . . .</b>	<b>522.6</b>	(3)

*Notes:*

- (1) Assuming the Offer Price is fixed at HK\$1.62, being the mid-point of the indicative Offer Price range, the estimated net proceeds from the Global Offering will be approximately HK\$67.9 million, assuming that the Over-allotment Option is not exercised. We believe that the net proceeds will allow us to acquire more development projects and/or development projects in larger scale.
- (2) On 17 March 2016, we obtained a banking facility granting an aggregate sum of approximately HK\$430 million which will be available to be drawn down upon Listing. As at 30 April 2016, our amounts due to Directors amounted to approximately HK\$383 million, of which approximately HK\$193 million is intended to be repaid by drawing down part of the aforesaid banking facility upon Listing while the remaining balance of approximately HK\$190 million will be capitalised upon Listing. As at 30 April 2016, our amounts due to related companies of approximately HK\$23.2 million is intended to be repaid by drawing down part of the aforesaid banking facility upon Listing. As a result, it is expected that an unutilised amount of HK\$213.8 million from the above banking facility will be available upon Listing for, among others, the acquisition of potential development site(s).
- (3) In line with the maximum exposure for property project loans acceptable to the Hong Kong Monetary Authority (the “**Maximum Exposure**”), our Directors expect that 50% of the site acquisition cost of the future development site would be financed by a project specific loan secured by a pledge of the acquired development site and the remaining 50% would be financed by our Group’s other available funds. On the above basis and in this scenario, our Directors estimate that we will be able to acquire suitable development site(s) with a total acquisition price of not more than HK\$522.6 million. For future acquisition of development site(s), we plan to finance 50% of the site acquisition cost by a project specific mortgage loan secured by a pledge of the acquired development site in line with the Maximum Exposure and the remaining 50% would be financed by our Group’s other available funds. Our Directors are of the view that such approach is in line with the industry norm.

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Based on the above estimated amount of the net proceeds from the Global Offering, the estimated available banking facilities of approximately HK\$213.8 million and the expected external additional funding from banks pursuant to the Maximum Exposure (collectively, the “**Funding**”), our Directors confirm that the Funding is in line with the expected acquisition price range of our current potential acquisition target development site(s) as well as that of the development sites acquired by us during the Track Record Period (namely HK\$56.5 million for The Galaxy, HK\$162.8 million for The Star, HK\$173 million for the CWK Property and HK\$430 million for the Yue Fung Property). As mentioned above, the expected acquisition price of our potential targets range from approximately HK\$80 million to HK\$500 million. Accordingly, our Group will have more choices of project sizes and will be able to acquire at least one to two suitable development site(s) with a total acquisition price of not more than approximately HK\$522.6 million.

We are committed to the long-term expansion and development of our Group’s business after the Listing. We have long-term strategies and future plans to continue to expand our project pipeline by acquisition of more suitable development site(s) as illustrated above. Our Directors believe that the acquisition of new projects will allow our Group to maintain a smooth and continuous flow of projects on hand for redevelopment, expand our scale of operation and increase the number of future projects by reinvesting the accumulated profits from existing projects. According to the Planning Report, as at 30 April 2014, there were about 48.9% or 233 buildings which were 30 years or above and about 45% or 214 buildings were between 15 and 29 years. A large number of old industrial buildings are under single ownership and in poor state of maintenance which are suitable for redevelopment or property enhancement, where the existing owners may not have the necessary funds or the interest to do so. Our Directors believe that, through the Listing, our Group will be able to capture more opportunities from the large number of potential development sites for our long-term development.

According to the JLL Report, as at 31 December 2015, the total stock of existing industrial buildings amounted to a GFA of 260 million sq.ft.. In addition, according to the Planning Report and as at 30 April 2014, there were about 48.9% or 233 buildings which were 30 years old or above, about 45% or 214 buildings were between 15 and 29 years old and about 4% or 19 buildings were below 15 years old and only 10 buildings were five years old or less. Many of the old industrial buildings are single owned and are in poor state of repair which is suitable for either redevelopment or alterations and additions. Those buildings are our potential targets for acquisitions. Our Directors believe that there is a large number of potential development or redevelopment sites for us to select from. We intend to look into potential development sites in other areas with potential for growth, such as Tuen Mun, Kwun Tong and Kowloon Bay. According to the JLL Report, among the rezoned “Industrial” land, 68% of them has been rezoned to “OU(B)” and certain industrial land in 14 metro areas in Kowloon has been rezoned into “OU(B)”. Some of these areas, such as Kwun Tong, Kowloon Bay, Yau Tong and San Po Kong in Kowloon, are classified as the first batch of rezoning area, which signifies that these areas have a high redevelopment and growth potential. The second and the third batches of rezoning area, including Tuen Mun, Fanling, Sheung Shui and Sha Tin in the New Territories, and Southwest Kowloon, also, in our Directors’ view, offer our Group with abundant acquisition targets for future development sites.

When potential acquisition opportunities arise, we visit potential development sites to inspect the conditions of potential properties and land, as well as the surrounding environment and infrastructure in the neighbourhood, and conduct further feasibility study when appropriate. We will continue to leverage on our extensive experience in the property industry to identify and capitalise on market opportunities in order to maximise our profit. We may either undertake the property development projects ourselves or

through appropriate forms of cooperation with suitable partners who are also property developers to collaborate in property development to further expand our project base and expand our property portfolio. Subject to the general market conditions and the outcome of commercial negotiations, we target to acquire one to two more property developments projects by the end of 2016 or the first half of 2017 to replenish our project pipeline. As at the Latest Practicable Date, we had not identified any specific acquisition target nor had we entered into any definitive agreement in relation to the acquisition of any potential development sites.

**Position ourselves in the market of newly built industrial buildings and commercial buildings, which has a stable demand**

*(A) In respect of newly built industrial buildings*

According to the Planning Report, the average vacancy rate for the property designated for industrial use and other use amounted to approximately 3.5% and 6% respectively in 2014. There is still a continued need for industrial floor space for a wide range of economic activities from traditional industrial uses such as manufacturing and production industries to other non-polluting industries.

According to the Planning Report, the estimated shortage of industrial floor spaces is about one million sq.m., three million sq.m. and 10 million sq.m. by 2018, 2023 and 2041, respectively. We believe that the expected increase in demand for industries properties will be a strong driving force for the performance of the rental and sales price for industrial floor spaces. We believe that our Group's positioning as a market player in the private industrial market is compatible with the market situation and government policy. For example, to capture the booming demand from the industries, our modern and stylish newly built industrial buildings such as The Galaxy and The Star have been able to attract various industry sectors including the non-polluting industries.

*(B) In respect of commercial buildings*

A number of factors drive the demand for commercial buildings. According to the JLL Report, the demand primarily comes from (i) small to medium businesses such as trading companies attempting to minimise their operating costs by relocating their offices from prime office locations to more affordable districts; (ii) the continuous expansion of the logistics industry also brings demand for office spaces (in particular, studio offices are specifically suitable for logistics companies as they are demanding for affordable office spaces to house their back offices); (iii) demand for studio offices from operators of creative industries, such as film, music, design, comics, animation, games and digital entertainment. It is expected that the creative industries will continue to grow in the upcoming years and their demand for small and affordable office spaces will remain strong. Studio offices also become increasingly attractive for investors primarily due to the low lump sum requirement; and (iv) other ancillary services for the neighborhood such as tutorial centres and medical clinics. We believe that the Yue Fung Project will be able to grasp the trend of increasing residential developments in Yuen Long which will generate demand for commercial properties in or around the area, therefore the commercial building to be developed under the Yue Fung Project is expected to be absorbed by the market demand. Similarly, with the expected population increase arising from the new residential projects under construction and planning in Tsuen Wan, we believe that the redevelopment of the CWK Project will serve the market demand for commercial services in the neighbourhood.



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### Continue to enhance our brand names

We seek to focus on offering properties with high quality, stylish design and quality after-sale services, through which we aim to further extend our reach to potential customers and strengthen our reputation in the market.

We seek to continue to enhance our brand “The Star” by increasing marketing initiatives and our visibility within the industrial property industry, such as hosting customer events and participating in property exhibitions and advertising campaigns. We also expect to set up a membership program for our targeted customers in the future, and increase value-added services to them, such as additional discounts on their future purchase. We seek to maintain good customer relationship by sending them souvenirs or gift coupons during festive seasons. We believe that these marketing and promotion strategies will help to elevate the level of awareness of our brand among our targeted customer groups, strengthen our brand profile and enhance customer loyalty.

### OUR BUSINESS MODEL

Our businesses are operated under two main business segments:

- **property development:** development of industrial development sites, redevelopment or enhancement (via alterations and additions works) of existing industrial buildings for the purposes of increasing their capital value and realising such increased capital value from sale of properties; and
- **property investment:** investment in properties with good capital appreciation potential and rental value, and leasing of such properties retained for the generation of attractive recurring rental income.

During the Track Record Period, we operated our property development business as our major business segment and a majority of our revenue was generated from our property development business, while the remaining portion of our revenue was contributed by our property investment business. Going forward, we expect that our revenue from our property investment business will increase when we commence to generate rental income from the Yue Fung Project after its completion.

After acquisition of industrial properties such as industrial development sites and aging industrial buildings, we either (i) develop industrial development sites or redevelop industrial buildings into industrial buildings or commercial buildings; or (ii) carry out alterations and additions works on existing industrial buildings in order to enhance their capital and rental value.

With an aim to maximising the return on our properties and achieving a more stable income stream for our Group, depending on the then market conditions, we may sell part of our properties mainly through property agencies engaged by us while we retain some of them for the purposes of generating recurring rental income. Prior to the commencement of the property redevelopment or enhancement (via alterations and additions works), we may lease out the existing properties in order to generate rental income. Upon completion of the property redevelopment or enhancement works on our property projects, we may realise the properties at an enhanced capital value or lease them out at an increased rental if such properties have good capital appreciation potential. As such, we generally retain the parking spaces of our completed projects which we believe have a good potential for capital appreciation and lease them out for recurring rental income. If the return is attractive, we may consider realising the increased capital value of such parking spaces by disposing of them in the market.

## BUSINESS

### Property development

We derive revenue under this segment from the sales of properties, which has undergone property development. For the three years ended 31 December 2015, we generated a revenue of nil, approximately HK\$611.8 million and HK\$73.5 million from property development, representing nil, approximately 100.0% and 93.4% of our total revenue, respectively. Small to medium property developers, including our Group, generally adopt a systematic approach in property development model by way of replenishment of projects. Constrained by relatively limited financial resources, small to medium property developers do not accumulate a large pool of development sites. They tend to focus on one or a few development projects at a time, and acquire new projects for development only when they have sufficient financial resources, for example, banking facilities and profits derived from sales of properties after repayment of the construction costs incurred by existing projects loans. Construction costs can be partly funded by the cash flow generated from pre-sale of existing projects and the available bank loan. Under this business model, small to medium property developers will generally (i) start to identify new development site when working on existing projects; and (ii) acquire new development site after financing sources have been identified. See “Business — Our Development Projects — Sources of funding for our four property development projects” in this prospectus for further details.

Set out below is our Group’s implementation of the systematic approach on the development of our projects during the Track Record Period and up to 2020:

	2010				2011				2012				2013				2014				2015				2016				2017				2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
The Galaxy					◇																																							
The Star																																												
Yue Fung Project																																												
CWK Project																																												

Legend

	Selection of project
	Land/property acquisition
	Project planning and design
	Project execution and supervision
	Pre-sales
	Completion of sale and delivery of properties
	After-sales services

	The Galaxy	The Star	Yue Fung Project	CWK Project
Selection of projects . . .	Third to fourth quarter of 2010	First to second quarter of 2013	First to second quarter of 2015	Second to third quarter of 2014
Land/property acquisition . . . . .	February 2011	June 2013	July 2015	November 2014
Project planning and design . . . . .	First quarter of 2011 to third quarter of 2014	Third quarter of 2013 to fourth quarter of 2016	Second quarter of 2015 to third quarter of 2018 (expected)	Fourth quarter of 2014 to third quarter of 2019
Project execution and supervision . . . . .	February 2012 to August 2014	June 2013 to fourth quarter of 2016 (expected)	Fourth quarter of 2016 to third quarter of 2018 (expected)	Third quarter of 2016 to third quarter of 2019 (expected)
Commencement of pre-sale . . . . .	February 2013	September/October of 2015	N/A (Note 1)	Second quarter of 2018 (expected)
Occupation permit . . . . .	August 2014	Fourth quarter of 2016 (expected)	N/A (Note 2)	Second quarter of 2019 (expected)

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## BUSINESS

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	<u>The Galaxy</u>	<u>The Star</u>	<u>Yue Fung Project</u>	<u>CWK Project</u>
Completion of sale and delivery of properties	Fourth quarter of 2014 to first quarter 2015	Fourth quarter of 2016 to first quarter of 2017 (expected)	N/A ( <i>Note 1</i> )	Third to fourth quarter of 2019 (expected)
After-sale services . . . .	First to second quarter of 2015	Second to third quarter of 2017 (expected)	N/A ( <i>Note 1</i> )	Fourth quarter of 2019 to first quarter of 2020 (expected)

*Notes:*

1. The Yue Fung Property is currently classified as our investment property.
2. No occupation permit will be issued as Yue Fung Property is an existing building going through alterations and additions works.

During the Track Record Period, our Group maintained a continuous flow of projects, which are compatible with our Group's financial capabilities and cash flow pattern. Our Directors intended to expand our scale of operation and increase the number of future projects by reinvesting the accumulated profits from the existing projects. During the Track Record Period, our Group had completed one property development project, namely The Galaxy, in August 2014. At present, we have a pipeline of three development projects, comprising The Star, the Yue Fung Project and CWK Project with a total expected GFA of approximately 343,040 sq.ft. upon completion of the development. As at the Latest Practicable Date, the topping-out of The Star had been completed, and we were in the process of installing the curtain walls. The design and planning works for both the CWK Project and the Yue Fung Project have commenced and their construction works are scheduled to commence in the third and fourth quarter of 2016 respectively. See paragraphs headed "Our Development Projects — Project under development — Yue Fung Project" and "Our Development Projects — Project under development — CWK Project" of this section for details and status of the Yue Fung Special Waiver Application and the CWK Lease Modification Application respectively. Given our selective approach in choosing development projects and our experience in the sale of The Galaxy and the pre-sale of The Star, we are able to secure cash inflow to meet our operating expenses and finance our acquisitions. See "Financial Information — Liquidity and Capital Resources — Cash Flow" in this prospectus for details of our cash flow and liquidity position.

Our Directors believe that the above approach would continue to contribute to our business growth in the future, and our Group expects to further expand its portfolio of development projects with accumulated profits and net proceeds from the Global Offering.

We have been actively exploring opportunities for potential development projects and we will acquire additional development sites for future development when suitable targets arise. According to RVD, as at 31 December 2015, the total stock of existing industrial buildings amounted to 260 million sq.ft. of GFA. In addition, according to the Planning Report, as at 30 April 2014, there were about approximately 48.9% or 233 buildings which were 30 years or above, about 45% or 214 buildings were between 15 and 29 years and about 4% or 19 buildings were below 15 years old and only 10 buildings were five years old or less. A large number of the old industrial buildings are under single ownership and are in poor state of maintenance which are suitable either for redevelopment or property enhancement, where the existing owners may not have the necessary funds or the interest to carry out property development or enhancement. They are our potential targets for acquisitions. Our Directors believe that there is a large number of potential development sites for us to choose from.

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## BUSINESS

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Our Directors are of the view that our Group's business is sustainable for the following reasons:

- (a) our Group completed the development of one newly built industrial building, namely The Galaxy, and began the construction of The Star during the Track Record Period and has maintained a continuous flow of projects since the beginning of the Track Record Period, which are compatible with our Group's financial capabilities and cash flow pattern, with the construction cost of our property development projects financed fully by bank loan, or financed partly by bank loan and partly by proceeds from the pre-sale;
- (b) according to the JLL Report, recently, non-polluting industries continued to take up the traditional industries which may prefer higher standard industrial buildings with office environment rather than under utilised ones. In addition, according to the JLL Report, the demand for commercial buildings in non-CBD remains high and primarily comes from (i) small to medium businesses such as trading companies attempting to minimise their operating costs by relocating their offices from prime office locations to more affordable districts; (ii) the continuous expansion of the logistics industry which also brings demand for office spaces (in particular, studio offices are specifically suitable for logistics companies as they are demanding for affordable office spaces to house their back offices); (iii) demand for studio offices from operators of creative industries, such as film, music, design, comics, animation, games and digital entertainment. It is expected that the creative industries will continue to grow in the upcoming years and their demand for small and affordable office spaces will remain strong. Studio offices also become increasingly attractive for investors primarily due to the low lump sum requirement; and (iv) other ancillary services for the neighborhood such as tutorial centres and medical clinics. As such, our Directors are of the view that they have formulated appropriate business strategies to target at these markets;
- (c) The Star is expected to be completed in the fourth quarter of 2016 with an estimated total development costs (excluding finance costs) of approximately HK\$485.1 million, and pre-sale of all of the 284 units (other than three street level units and parking spaces) of The Star has been carried out and revenue is expected to be derived from the sales of units of The Star in the amount of approximately HK\$714.1 million upon completion of construction and delivery of completed units of The Star;
- (d) as set out in "Our Development Projects — Project Under Development — Yue Fung Project" in this section, we have strategically selected the Yue Fung Property which is located in an "OU(B)" zoned area where general business uses are permitted, close to MTR station with easy access to public transport and in proximity to the density populated residential hub of Yuen Long. We expect that the enhancement work (via alterations and additions works) to be carried out under the Yue Fung Project will bring enhancement to the capital and rental value of the Yue Fung Property upon its completion. We have been granted a bank loan facility in relation to the Yue Fung Project in the amount of HK\$170 million, which is expected to cover mainly its estimated future construction costs. Based on the scarcity of commercial properties in Yuen Long, and the anticipated demand for commercial properties to cater for the need for shopping centres, restaurants, tutorial centres and other community facilities, we believe that the enhanced Yue Fung Property will be well received by the market upon completion of the property enhancement works, and that we will be able to lease out the units of the Yue Fung Property at an increased rental, and enjoy capital

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## BUSINESS

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appreciation over our investment period. See paragraph headed “Our Development Projects — Project under development — Yue Fung Project” of this section for details and status of the Yue Fung Special Waiver Application;

- (e) as set out in “Our Development Projects — Project Under Development — CWK Project” in this section, we have strategically selected the CWK Property which is located in an “OU(B)” zoned area where general business uses are permitted. We expect that the redevelopment of the CWK Property from an existing three-storey industrial building with a GFA of approximately 40,979 sq.ft. into a 20-storey office tower with podium shops, restaurants and parking spaces with GFA of approximately 154,973 sq.ft. will result in a significant increase in plot ratio and thus the value of the property. Our estimated total construction costs (excluding finance costs and land premium) of CWK Property are approximately HK\$599.7 million and are expected to be financed (i) partly by bank loan to be obtained by us and (ii) partly by our internally generated funds including proceeds from the pre-sale of the CWK Project. We currently intend to realise these office units and lease out the street level units and parking spaces for rental income upon completion of redevelopment. Having considered the anticipated demand for commercial office space in the area and the prevailing market price of comparable properties nearby, we believe that the CWK Project will be well received by the market and that we will be able to realise the units of CWK Project at an enhanced capital value and thus will be profitable;
- (f) leveraging on the expertise and experience of our Group’s management, and given the market opportunity created by the availability of ample stock of old industrial buildings available in Hong Kong which have redevelopment potential, whilst the original owners may not have the available funds or the interest to carry out property development or enhancement works, with the proceeds from the sale of our completed projects and bank borrowings, we believe that we will be able to source additional potential development sites which align with our business strategies for our future development; and
- (g) as mentioned in “Our Development Projects — Sources of funding for our four property development projects” in this section, according to the JLL Report, despite that the purchase price of residential properties has recently decreased modestly, the private industrial and studio office markets have remained stable due to the shortage in the supply of newly built industrial buildings and commercial buildings in non-CBD areas. In the event that there is any material adverse change to the Hong Kong property market as a whole, we may defer our relevant development plan to a later date. In line with our business practice, we will monitor the market conditions from time to time to formulate and, if necessary, adjust our development plan to suit market conditions. In view of the foregoing, we are of the view that the recent modest downturn of the Hong Kong residential property market will not have any material impact on our Group’s development plan.

See “Our Business Strategies” in this section and “Future Plans and Use Of Proceeds” in this prospectus for details of our future plans and use of proceeds.

## BUSINESS

### Property investment

We invest in investment properties with good capital appreciation potential and rental value, and leasing of such properties retained for the generation of recurring rental income. For the three years ended 31 December 2015, we generated revenue from property investment of nil, approximately HK\$46,000 and approximately HK\$5.2 million, representing nil, approximately 0.008% and approximately 6.6% of our total revenue, respectively.

During the Track Record Period, we acquired the Yue Fung Property as one of our investment properties for rental and capital gain purposes. As at the Latest Practicable Date, the Yue Fung Property was an industrial property which we intend to convert into a commercial building for future rental and capital gain purposes under the Yue Fung Project.

### OUR PROPERTY PORTFOLIO

Our portfolio of properties comprises industrial properties in Hong Kong, which include The Star, the Yue Fung Property, the CWK Property and certain unsold workshop units of The Galaxy and The Galaxy Parking Spaces. As at 30 April 2016, our property portfolio had an aggregate GFA of approximately 139,191 sq.ft. and was valued at approximately HK\$1.3 billion by the Property Valuer. See “Appendix III — Property Valuation Report” in this prospectus for details.

The table below sets out the details of our property portfolio as at 30 April 2016:

	GFA as at 30 April 2016 (sq.ft.)	Independent valuation as at 30 April 2016 (HK\$ million)	Condition/nature
<i>Investment properties</i>			
<b>The Galaxy</b>			
20 parking spaces on the G/F and 1/F of The Galaxy	N/A <sup>(Note)</sup>	28.7	Currently leased to various Independent Third Parties
<b>The Star</b>			
19 parking spaces on the G/F and 1/F of The Star	N/A <sup>(Note)</sup>	23.4	Under construction
<b>Yue Fung Property</b>	93,100	473.0	Under development, currently leased to various Independent Third Parties
<i>Properties held for sale</i>			
<b>The Galaxy</b>			
10 parking spaces on the 2/F of The Galaxy	N/A <sup>(Note)</sup>	13.2	Currently leased to various Independent Third Parties and have been contracted for sale pursuant to various sale and purchase agreements entered into in December 2015 and completion of such sales is expected to take place in November 2016 and December 2016
Six workshops on 6/F, 12/F, 23/F, 25/F and 28/F of The Galaxy	5,112	26.0	Six workshop units remained unsold

## BUSINESS

<i>Investment properties</i>	GFA as at 30 April 2016 <i>(sq.ft.)</i>	Independent valuation as at 30 April 2016 <i>(HK\$ million)</i>	Condition/nature
<b>The Star</b> 284 units	N/A	576.0	Under construction, pre-sale of all units (except the parking spaces and three street level units)
<b>CWK Property</b>	40,979	193.0	Under development, currently leased to various Independent Third Parties
	<u>139,191</u>	<u>1,333.3</u>	

*Note:* No GFA is attributable to parking spaces.

The following map shows the geographic locations of our property development projects (comprising The Galaxy (our property development project completed during the Track Record Period), The Star (our project under construction), the Yue Fung Project and the CWK Project (our projects under development) as at the Latest Practicable Date:



## OUR BUSINESSES

### Our property development business

We had one completed property development project, The Galaxy, with a total GFA of 152,254 sq.ft., one property development project under construction, The Star, with a total expected GFA of 94,967 sq.ft., and another project under development, CWK Project, with a total expected GFA of approximately 154,973 sq.ft. For the three years ended 31 December 2015, the revenue from our property development business amounted to nil, approximately HK\$611.8 million and approximately HK\$73.5 million, representing nil, approximately 100.0% and approximately 93.4% of our total revenue.

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The table below sets out the details of our four development projects as at 30 April 2016:

Name of project	Address	Property type upon completion of development	Date of acquisition of the relevant properties for the purposes of development	Site area ( <i>sq.ft.</i> )	GFA prior to completion of the development ( <i>sq.ft.</i> )	GFA attributable to the units sold ( <i>sq.ft.</i> )	GFA attributable to the remaining unsold units held by our Group ( <i>sq.ft.</i> )
The Galaxy	No. 313 Castle Peak Road, Kwai Chung, Tsuen Wan, New Territories, Hong Kong	Newly built industrial building	February 2011	16,033	— ( <i>Note 1</i> )	147,142	5,112
The Star	No. 18 Yip Shing Street, Kwai Chung, Tsuen Wan, New Territories, Hong Kong	Newly built industrial building	June 2013	10,000	44,564 ( <i>Note 2</i> )	—	—
Yue Fung Project	No. 22 Wang Yip Street South, Yuen Long, New Territories, Hong Kong	Commercial building (studio offices)	July 2015	18,622	93,100	—	—
CWK Project	Nos. 11–15 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	Commercial building (studio offices)	November 2014	16,313	40,979	—	—
					134,079	147,142	5,112

*Notes:*

1. The industrial property acquired for the redevelopment project of The Galaxy was a vacant development site and therefore it did not have a GFA.
2. This was the GFA of the original building which was demolished prior to the construction of The Star.
3. Most of the units of The Galaxy have been sold and therefore an independent valuation of the whole of The Galaxy is not available. As at 30 April 2016, six workshop units remained unsold, which were valued at HK\$26.0 million as at 30 April 2016.
4. The total GFA of the Yue Fung Property will remain unchanged before and after completion of the Yue Fung Project which involves carrying out of alternations and additions works on the existing property.
5. Yue Fung Property is classified as our investment property.
6. As of 30 April 2016, all units of The Star were sold (except the parking spaces and three street level units) but not yet delivered.



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Expected GFA under construction (sq.ft.)	Planned GFA for future development (sq.ft.)	Total GFA upon completion of the relevant project (sq.ft.)	Number of units held by us as at 30 April 2016	Actual/expected date of commencement of pre-sale or sale	Year of completion or proposed completion	Independent valuation as at 30 April 2016 (HK\$ million)	Status	Amount of development costs (excluding finance costs) incurred (HK\$ million)	Amount of development costs (excluding finance costs) expected to be incurred (HK\$ million)			Source of funding utilised by our Group to finance the relevant project
									2013	2014	2015	
—	—	152,254	6	First quarter of February 2013	August 2014	26.0 (Note 3)	Completed	360.1	—	611.8	73.5	the acquisition cost was fully financed by shareholder's loan; and the construction cost was financed partly by bank loan obtained by us and the remaining portion was financed by our internally generated funds such as proceeds from the pre-sale of The Galaxy
94,967	—	94,967	284 (Note 6)	Third quarter of October 2015	Third quarter of October 2016	507.9	Under construction	304.6	180.5	—	—	the acquisition cost was partly financed by shareholders' loan and partly by bank borrowings; and the construction cost was financed partly by bank loan obtained by us and partly by our internally generated funds such as proceeds from the pre-sale of The Star
—	93,100 (Note 4)	93,100 (Note 4)	N/A	Fourth quarter of 2016	Third quarter of 2018	473.0	Under development	470.9	175.1	—	—	the acquisition cost was partly financed by shareholders' loan and partly by bank borrowings; and the construction costs will be financed mainly by bank loan which has been obtained by us and partly by our internally generated funds
—	154,973	154,973	N/A	Third quarter of Second quarter of 2018	Third quarter of 2019	193.0	Under development	192.9	599.7 (Note 3)	—	—	the acquisition cost was partly financed by shareholders' loan and partly by bank borrowings; and the construction costs will be financed partly by bank loan to be obtained by us and partly by our internally generated funds including proceeds from the pre-sale of the CWK Project
94,967	248,073	495,294						1,328.5	955.3	611.8	73.5	

## BUSINESS

### Our property investment business

During the Track Record Period, we also generated rental income from the leasing of our investment properties which is either pending commencement of the property redevelopment or enhancement. We lease out the redeveloped properties or properties after enhancement at an increased rental upon completion of the property redevelopment or enhancement works. As at the Latest Practicable Date, we had (i) one en bloc building, Yue Fung Property, with a total GFA of 93,100 sq.ft. valued at HK\$473.0 million as at 30 April 2016, (ii) 20 parking spaces on the G/F and 1/F of The Galaxy valued at HK\$28.7 million as at 30 April 2016, and (iii) 19 parking spaces of The Star valued at HK\$23.4 million as at 30 April 2016. See “Appendix III — Property Valuation Report” in this prospectus for more details.

Rental income generated by our properties:

	For the year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Investment properties</b>			
20 parking spaces on the G/F and 1/F of			
The Galaxy . . . . .	—	46	681
Yue Fung Property . . . . .	—	—	4,478
19 parking spaces on the G/F and 1/F of The Star . .	—	—	—
<b>Properties held for sale</b>			
10 parking spaces on the 2/F of The Galaxy . . . . .	—	—	452
CWK Property . . . . .	—	340	3,480
	—	386	9,091

### OUR DEVELOPMENT PROJECTS

Since our establishment of our operation in November 2010 and up to the Latest Practicable Date, we had four property development projects. The Galaxy was completed in August 2014, and as at the Latest Practicable Date, the topping-out of The Star had been completed and we were in the process of installing the curtain walls, and the Yue Fung Project and the CWK Project were both under development, and their planning and design works have been commenced.

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## BUSINESS

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### Completed project

#### *The Galaxy*

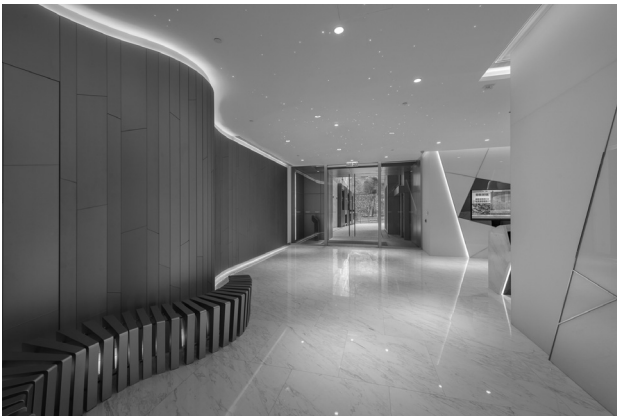
Set out below are the brief particulars of The Galaxy:

Address	:	No. 313 Castle Peak Road Kwai Chung, New Territories, Hong Kong
Original property type	:	Industrial
Type of development	:	Newly built industrial building
Site area	:	16,033 sq.ft.
Plot ratio	:	9.5
Total GFA (approximate)	:	152,254 sq.ft.
Number of storeys	:	26
Number of workshop units (including the street level workshop units)	:	161
Number of street level workshop units	:	5
Number of parking spaces	:	12 parking spaces, six HGV parking spaces, 10 LGV parking spaces and two motorcycle parking spaces
Commencement date of pre-sale	:	February 2013
Completion date	:	August 2014
Development site acquisition cost	:	HK\$56.5 million (No existing building was erected on such development site when it was acquired from an Independent Third Party)
Total development cost	:	HK\$381.8 million

Set out below is the map showing the location of The Galaxy and its neighbourhood:



Entrance courtyard to The Galaxy



The lobby of The Galaxy



The exterior of The Galaxy

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## BUSINESS

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The Galaxy is located in Kwai Chung, which is a major industrial district near West Kowloon, with proximity to the Kowloon Commerce Centre (a local business hub) and with good access to MTR and transportation infrastructure. The Galaxy is readily accessible to other parts of Hong Kong and Mainland China.

The Galaxy is a 26-storey newly built industrial building, which offers units of various sizes and extensive facilities. It has a total GFA of approximately 152,254 sq.ft., consisting of 161 workshop units with variable sizes of saleable area. The Galaxy also includes 12 parking spaces, six HGV parking spaces, 10 LGV parking spaces and two motorcycle park spaces. Each workshop unit is equipped with, among others, individual air conditioning system, building access via smart access cards and digital terrestrial television provision. The comprehensive facilities cater for different types of non-polluting industries. The Galaxy is also equipped with four high efficiency passenger lift and a car lift to facilitate the movement within the building. The Galaxy is a unique newly built industrial building with contemporary design. It has a unique building exterior with sparkling LED lights, high grade curtain walls, elegant marble flooring in the main lobby and high floor-to-floor height ranging from 3.5 m to 4.5 m and a high floor loading of 5 to 15 kPa for typical floors.



Entrance lobby of The Galaxy



Courtyard of The Galaxy

The Galaxy commenced its construction in March 2012 and was completed in August 2014 with total development costs of approximately HK\$381.8 million. We generated revenue from the sales of certain workshop units of The Galaxy of approximately HK\$611.8 million and HK\$73.5 million for the two years ended 31 December 2015, respectively. The ASP of the sold workshop units was approximately HK\$4,753 per sq.ft. and HK\$4,549 per sq.ft. for the two years ended 31 December 2015, respectively. During the year ended 31 December 2015, our Group entered into sale and purchase agreements with several Independent Third Parties to sell three workshop units of The Galaxy. Such workshop units were delivered in January 2016 and February 2016. As at the Latest Practicable Date, only six workshop units of The Galaxy remained unsold, which were, in aggregate, valued at approximately HK\$26.0 million as at 30 April 2016. For further information, see “Appendix III — Property Valuation Report” in this prospectus.

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## BUSINESS

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In December 2015, our Group entered into sale and purchase agreements with several Independent Third Parties to sell certain parking spaces on the second floor of The Galaxy to Independent Third Parties and the completion of such sale and purchase agreements is expected to take place in November 2016 and December 2016, respectively.

### **Project under construction**

#### *The Star*

The Star is a redevelopment project under construction and is located in Kwai Chung. This project has a site area of approximately 10,000 sq.ft. and is being redeveloped into a newly built industrial building with 19 storeys. The Star provides a desirable platform for various business operators, including mostly non-polluting industries.

Name of the development	:	The Star
Address	:	No. 18 Yip Shing Street, Kwai Chung, Tsuen Wan, New Territories, Hong Kong
Original property type	:	Industrial
Type of development	:	Redevelopment into a newly built industrial building
Site area	:	10,000 sq.ft.
Plot ratio	:	9.5
Expected total GFA upon completion (approximate)	:	94,967 sq.ft.
Number of storeys	:	19 (G/F to 21/F, omitting 4/F, 13/F and 14/F)
Number of units (including street level units)	:	284
Number of street level units	:	Two workshop units and one ancillary store unit
Number of parking spaces	:	Eight private parking spaces, seven LGV parking spaces, three HGV parking spaces and one motorcycle parking space
Commencement date of pre-sale	:	September/October of 2015
Expected completion date	:	Fourth quarter of 2016
Development site acquisition cost	:	HK\$162.8 million (An existing building was erected on such development site when it was acquired from an Independent Third Party)
Estimated total development costs (excluding finance costs)	:	HK\$485.1 million

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## BUSINESS

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Set out below is the map showing the location of The Star and its neighbourhood:



The Star under construction with topping out works completed

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## BUSINESS

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The Star is expected to have a total GFA of approximately 94,967 sq.ft. upon its completion. The Star is located in Kwai Chung and is in close proximity to Kwai Hing MTR station, and is readily accessible to the Kowloon Commerce Centre and comprehensive transportation infrastructure.

The Star is a 19-storey industrial use development, which offers 284 units of small sizes ranging from approximately 100 sq.ft. to 500 sq.ft. of saleable area. The Star includes eight private parking spaces, seven LGV parking spaces, three HGV parking spaces and one motorcycle parking space. It is designed for non-polluting industries with different operational needs, and each unit is equipped with, among others, individual air conditioning system, building access via smart access cards, CCTV, security system and digital terrestrial television provision. Such comprehensive facilities cater for different types of industrial businesses. The Star is also equipped with three high efficiency passenger lifts and a car lift to facilitate the logistics within the building. The Star is a unique newly built industrial building with contemporary design. The building has an exterior decorated with sparkling LED lights, elegant marble flooring in the main lobby and high floor-to-floor height of 4.9 m and a floor loading of 5 kPa for typical floors.

The Star is expected to be completed in the fourth quarter of 2016 with an estimated total development costs (excluding finance costs) of approximately HK\$485.1 million. We carried out the pre-sale of The Star in the third quarter of 2015 upon completion of its foundation work. As at 31 December 2015, other than the parking spaces and three street level units which will be sold at the time when our Group considers appropriate, all of the uncompleted units were sold. The total sales proceeds in respect of the sold units are expected to be approximately HK\$714.1 million. Our Directors currently expect that the delivery of the sold units will commence by the end of 2016 and the sales proceeds in respect of the delivery of the sold units in 2016 are expected to be recognised as revenue in the year ending 31 December 2016, and the remaining sold units will be delivered in 2017 and the related sales proceeds are expected to be recognised as revenue in the year ending 31 December 2017. The estimated ASP of The Star, based on the pre-sale results of The Star, was approximately HK\$7,674 per sq.ft. in terms of GFA. As at the Latest Practicable Date, the topping-out of The Star had been completed, and we were in the process of installing the curtain walls, and had received the second payment of the pre-sale proceeds in relation to the units sold.

### **Projects under development**

As at the Latest Practicable Date, two of our industrial properties, namely, the CWK Property and the Yue Fung Property, were undergoing planning and design stages for property redevelopment or enhancement (via alterations and additions works) respectively and no construction works had begun as at the Latest Practicable Date. We generate rental income from these properties during the period before commencement of the main construction works.



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The following table sets out the rental income derived from two of our Group's properties during the Track Record Period. All valuations cited are derived from "Appendix III — Property Valuation Report" in this prospectus.

	Rental income derived during the year ended 31 December			Valuation as at 30 April 2016
	2013	2014	2015	
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Yue Fung Property . . . . .	—	—	4.5	473.0
CWK Property . . . . .	—	0.3	3.5	193.0

### *Yue Fung Project*

The Yue Fung Property is an existing industrial building with a site area of approximately 18,622 sq.ft.. It is located in Yuen Long, which is close to Tai Lam Tunnel and Lok Ma Chau border and a mere 3-minute walking distance to Long Ping MTR station, with easy access to public transport and in proximity to the densely populated residential hub of Yuen Long.

Details of the Yue Fung Project are set out below:

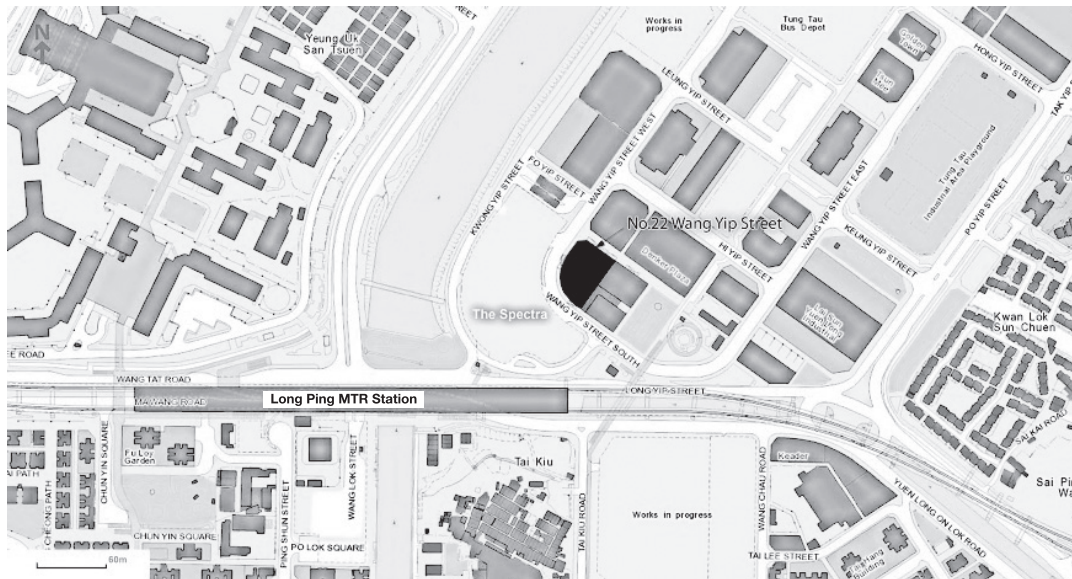
Address	:	No. 22 Wang Yip Street South Yuen Long, New Territories, Hong Kong
Original property type	:	Industrial
Proposed form of development	:	Conversion into commercial building (comprising mainly studio offices) via alterations and additions works
Existing total GFA	:	93,100 sq.ft.
Site area	:	18,622 sq.ft.
Plot ratio	:	12 (maximum permissible)/5 (existing)
Existing total GFA	:	93,100 sq.ft.
Total GFA after completion	:	93,100 sq.ft.
Number of storeys	:	10 (existing)
Construction period	:	Fourth quarter of 2016 to third quarter of 2018
Development site acquisition cost	:	HK\$430.0 million (An existing building was erected on such development site when it was acquired from an Independent Third Party)
Estimated total development cost (excluding finance costs)	:	HK\$646.0 million

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Set out below is the map showing the location of the Yue Fung Property and its neighbourhood:



Exterior of Yue Fung Property



Surrounding area of Yue Fung Property

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The Yue Fung Property is situated in an “OU(B)” zoned area where general business uses are permitted. The population of Yuen Long was approximately 601,100 in 2014 and it is expected that residents in Yuen Long will increase to approximately 680,100 by 2023. In view of such population growth, our Director believe that there is anticipated demand for commercial properties to cater for the need for shopping centres, tutorial centres and other community facilities, and thus create potential commercial redevelopment to increase with the completion of various new residential developments.

In view of the scarcity of commercial properties in Yuen Long, we intend to carry out alterations and additions works on the Yue Fung Property to convert it into a commercial building under the Yue Fung Project, comprising mainly studio offices with podium, shops, restaurants and parking spaces, which we target to accommodate tutorial classes, playgroups, and recreation centres to cater for the needs of the residential neighbourhood in the vicinity. The total GFA of the Yue Fung Project after completion of the property enhancement works will remain the same at approximately 93,100 sq.ft..

Following our completion of acquisition of the Yue Fung Property in the third quarter of 2015, we have engaged external consultants such as a surveying firm to handle government lease matters including the Yue Fung Special Waiver Application for conversion of the entire industrial building into a commercial building under the Revitalisation Measures. We also engaged an architectural firm, an electrical and mechanical engineering firm, a traffic engineering firm and a structural engineering firm to assist us in the pre-construction planning and design works in the fourth quarter of 2015.

### *Current status of the Yue Fung Special Waiver Application*

We submitted the Yue Fung Special Waiver Application for conversion of the entire industrial building into commercial building in respect of the Yue Fung Property at nil waiver fee to the Lands Department on 13 October 2015, and have supplied all necessary supporting documents pursuant to the requirements of the Revitalisation Measures. We received a notice of acceptance of the application from the Lands Department in January 2016. As (a) the Yue Fung Project is situated in the “OU(B)” zoned area under outline zoning plan and our proposed form of development is for commercial use and is in line with the permitted uses of the “OU(B)” zoning under the outline zoning plan, (b) we expect that the Yue Fung Special Waiver Application would be approved under comparable circumstances (specifically, a number of special waivers that were previously granted by the Lands Department and on similar terms to what our Group is seeking since the Revitalisation Measures had been put into effect were related to the conversion of industrial buildings aged 15 years or above and situated in the “Industrial”, “Commercial” or “OU(B)” zones while our Yue Fung Project is related to a proposed conversion of an industrial building aged over 15 years and situated in an OU(B) zone); (c) we have satisfied the eligibility criteria for the grant of special waiver; and (d) according to the implementation progress update of the Revitalisation Measures by the Lands Department at the end of March 2016, only a few of the applications were rejected as such cases did not meet the eligibility criteria, we believe that it is very likely that the Lands Department will approve our Yue Fung Special Waiver Application. We have appointed an architectural firm and several engineering firms to carry out the design and prepare statutory submission to Buildings Department. We submitted general building plans to Buildings Department for approval in February 2016. As advised by Vincent T.K. Cheung, Yap & Co., our Company’s legal advisers, in obtaining the approval of the Yue Fung Special Waiver Application, certain matters and future events will have to be taken into account, namely, (a) the Lands Department may at its absolute discretion approve or reject the Yue Fung Special Waiver Application; (b) the Lands Department may impose such terms, covenants and conditions for the approval of the Yue Fung Special Waiver Application which cannot be fulfilled by or are not acceptable to our Group; (c) the

Revitalisation Measures may be subject to change by the HK Government from time to time; and (d) the HK Government may introduce new laws, rules and regulations concerning the conversion of industrial buildings to office use. Subject to the above, and having taken into account the following: (a) the Yue Fung Property is an existing industrial building aged not less than 15 years from the date of issue of the relevant occupation permit and erected on a lot in the “OU(B)” zone area under the relevant zoning, and that the Yue Fung Property has satisfied the basic eligibility criteria for application of the special waiver at nil waiver fee under the Revitalisation Measures; and (b) the fact that the Yue Fung Special Waiver Application has been circulated by the Lands Department to the concerned Government departments for comments pursuant to a letter dated 5 April 2016 from the Lands Department to us (the “**Reply Letter**”), although the Yue Fung Special Waiver Application has not yet been approved by the Lands Department at this stage, the preliminary response in the Reply Letter indicates that the Yue Fung Special Waiver Application is in progress and the concerned Government departments will continue to process the application upon receipt of the formal submission of our response to the relevant Government authorities, Vincent T.K. Cheung, Yap & Co., the legal advisers of our Company, are of the view that there would be no legal impediments for us in obtaining the approval of the Yue Fung Special Waiver Application. Based on the above, we believe that we will be able to obtain such approval in the fourth quarter of 2016. In June 2016, we arranged the (i) submission of our traffic consultant’s responses in reply to the Transport Department’s previous comments stated in the Reply Letter, to the Land’s Department for onward submission to the Transport Department for comments, (ii) submission of hoarding plan to the Buildings Department and (iii) re-submission of the building (alteration and addition) plan to the Buildings Department which was updated in light of the Transport Department’s comments. Our Directors are of the view that the comments from various Government departments, including the Transport Department, submission of hoarding plan to the Buildings Department and re-submission of the building (alteration and addition) plan to the Buildings Department are of procedural and administrative nature, which are consistent with other special waiver modification applications. As at the Latest Practicable Date, we had not yet obtained the approval of the Yue Fung Special Waiver Application.

*Alternative plan if the approval of the Yue Fung Special Waiver Application is not obtained*

In the unlikely event that we could not obtain the approval of the Yue Fung Special Waiver Application, we intend to convert the Yue Fung Property into an upgraded industrial building through carrying out alterations and additions works so as to enhance its capital and rental value and obtain the relevant approval from the Buildings Department before commencement of such alterations and additions works. In such case, we anticipate that: (i) the extent of increase in capital and rental value as a result of the conversion of the existing industrial property into an upgraded industrial building would be less than that as a result of conversion of the Yue Fung Property into a commercial building; and (ii) the profit to be derived from the conversion of the Yue Fung Property into an upgraded industrial building would be less than that from the conversion into a commercial building.

*Comparative analysis of the Yue Fung Project between the conversion into an upgraded industrial building without the special waiver and the conversion into a commercial building under the special waiver*

To the best of our Directors’ knowledge and estimation, and based on the prevailing market rate of construction costs and assuming that there is no change in construction costs, general market conditions and other factors affecting the construction costs, resulting value enhancement, profitability and construction time required,

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- (a) **Impact on enhancement of net asset value:** the potential increase in our net asset value as a result of the conversion of the Yue Fung Property into an upgraded industrial building through carrying out enhancement via alterations and additions works would be approximately 30% less than that as a result of the conversion of the Yue Fung Property into a commercial building under the Revitalisation Measures because the potential revaluation gain in fair value of a conversion into an upgraded industrial building is generally lower than that of a conversion into a commercial building. Notwithstanding that the amount of construction costs involved in the conversion of the Yue Fung Property into an upgraded industrial building is estimated to be approximately 30% less than that involved if the Yue Fung Property is converted into a commercial building, as the amount of construction costs would be capitalised as fixed asset, there would be no effect on our net asset value arising from the difference in the amount of construction costs;
- (b) **Impact on profitability upon completion and profitability on an ongoing basis:** the one-off profit expected to be derived from the Yue Fung Project, upon its completion, would be lowered by approximately 30% if the Yue Fung Property were converted into an upgraded industrial building as opposed to converting it into a commercial building under the Revitalisation Measures, as the revaluation gain in fair value upon conversion into an upgraded industrial building is estimated to be approximately 30% lower than that upon conversion into a commercial building.

On an ongoing basis, the profit expected to be derived from the Yue Fung Project after its completion on an ongoing basis (i.e. the rental income), would be lowered by approximately 15% due to the lower estimated value of an upgraded industrial building as compared to that of a commercial building, hence the lower level of estimated resulting rental income based on the assumption of a market yield of 3%; and

- (c) **Impact on required construction time:** the estimated time required for carrying out alterations and additions works for converting the Yue Fung Property into an upgraded industrial building will be shorter than that for conversion into a commercial building pursuant to the special waiver under the Revitalisation Measures by approximately 1.5 years.

The above estimations may be subject to deviation due to inflation and other unforeseen events.

Nevertheless, we expect that our Group would have incurred less development costs, project execution time and resource; and would still be able to derive an enhancement in net asset value and a profit from the conversion of the Yue Fung Property into an upgraded industrial building through carrying out enhancement via alterations and additions works.

Based on the above, our Directors anticipate that in the case of the conversion of the Yue Fung Property into an upgraded industrial building through property enhancement via alterations and additions works, as compared with the case of the conversion into a commercial building under the Revitalisation Measures, although both (a) the potential increase in our net asset value and (b) the expected profitability of the Yue Project to be derived from (i) the one-off fair value gain upon completion of the Yue Fung Project and (ii) the recurring rental income after completion would be lower, our Group would have incurred less development costs, project execution time and resource; and would still be able to derive an enhancement in net asset value and a profit from the conversion of the Yue Fung

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Property into an upgraded industrial building through property enhancement via alterations and additions works. We intend to appoint a main contractor to carry out alterations and additions works in the fourth quarter of 2016. See “Risk Factors — The expiry of the Revitalisation Measures will offer less flexibility on our future development of industrial buildings into commercial buildings” for further details. As at the Latest Practicable Date, we were in the process of preparing tender documents for engagement of contractors for the construction works. Our expected commencement date of construction works is in the last quarter of 2016, while the estimated date of completion of construction works is in the third quarter of 2018. See “Our Development Projects — Sources of funding for our four property development projects” in this section for further details.

Currently, the units of Yue Fung Property are leased out to Independent Third Parties for rental income. For the year ended 31 December 2015, the aggregate amount of rental income generated from leasing of units of the Yue Fung Property amounted to approximately HK\$4.5 million. As we intend to carry out enhancement works (via alterations and additions works) on the Yue Fung Property (and not property redevelopment), we generally do not require our tenants to vacate the property prior to the expiry of the lease term so as to commence our property enhancement works. If necessary, we may give notice to the tenant or enter into surrender agreements with the tenants to early terminate the relevant leases pursuant to the terms of the relevant tenancy agreements. Upon completion of property enhancement works on the Yue Fung Property, we currently intend to lease out the units at an increased rental and hold them as investment properties for capital appreciation.

Set out below are the summary of the leases in Yue Fung Property which were subsisting as at the Latest Practicable Date:

<u>Location</u>	<u>Expiry date of lease term</u>	<u>Current monthly rent</u> <i>(HK\$)</i>
Unit 1 on Ground Floor	August 2016	31,640
Units 2 to 4 on Ground Floor	October 2019	135,000
Unit 5 on Ground Floor	August 2017	12,000
Carpark no. L5 on carpark floor	Monthly tenancy which can be terminated by one month’s notice in advance by either the landlord or the tenant	2,000
Carpark level (whole level except three loading and unloading spaces and access road)	August 2017	20,000
Second and Third Floors	May 2017	184,923
Fourth Floor	October 2018	87,658
Fifth Floor	July 2018	87,658
Seventh and Eighth Floors	September 2016	175,316

The average occupancy rate of the Yue Fung Property was 78.7% in terms of GFA for the year ended 31 December 2015.

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### *CWK Project*

The CWK Property is an existing industrial building located in Tsuen Wan which has been rezoned into an “OU(B)” zone under outline zoning plan, and has a site area of approximately 16,313 sq.ft.. The “OU(B)” zoning of the area allows the redevelopment the CWK Property into a commercial building with a plot ratio up to 9.5. The CWK Project involves the redevelopment of the existing three-storey building into a commercial building consisting of a 20-storey office tower, podium shops, restaurants and parking spaces. It is anticipated that the total GFA of the CWK Project upon completion will increase to approximately 154,973 sq.ft..

Details of the CWK Project are set out below:

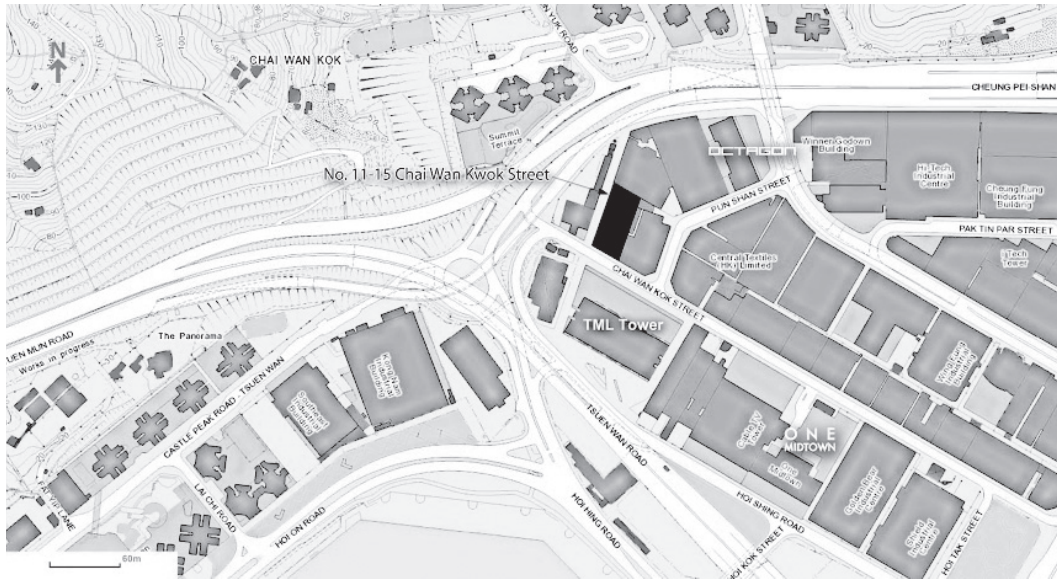
Address	:	Nos. 11–15 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong
Original property type	:	Industrial
Proposed form of development	:	Redevelopment into a commercial building comprising mainly studio offices
Site area	:	16,313 sq.ft.
Plot ratio	:	9.5 (maximum permissible)
Existing total GFA	:	40,979 sq.ft.
Expected total GFA upon completion	:	154,973 sq.ft.
Proposed number of storeys	:	20
Construction period	:	Third quarter of 2016 to third quarter of 2019
Development site acquisition cost	:	HK\$173.0 million (An existing building was erected on such development site when it was acquired from an Independent Third Party)
Total estimated development cost (excluding finance cost and land premium to be assessed by the Lands Department)	:	HK\$792.6 million

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Set out below is the map showing the location of the CWK Property and its neighbourhood:



Set out below is the exterior of the CWK Property to be redeveloped under the CWK Project:





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We submitted the CWK Lease Modification Application to the Lands Department in January 2015 for the purpose of the proposed development including the removal of the three-storey height restriction. The CWK Lease Modification Application was submitted in January 2015 prior to the Expiry Of Revitalisation Measures Application Period. Our CWK Property, which is proposed to be redeveloped into a commercial building comprising mainly studio offices, is situated in an “OU(B)” zoned area which allows a mix of commercial, office and non-polluting industrial use in traditional industrial areas. Property developers can redevelop the aged industrial buildings located in “OU(B)” zones without undergoing rezoning application. In addition, studio offices, which are of relatively affordable office rent and flexible unit sizes, are usually situated within the “OU(B)” zone such as Kwai Chung, Cheung Sha Wan, Kwun Tong and Kowloon Bay. During the application process, we indicated to the Lands Department that we did not intend to pay the land premium (the amount of which will be assessed by the Lands Department after finalisation of the provisional basic terms of the lease modification) by annual instalments over a period of up to five years as we preferred a higher degree of flexibility for an earlier pre-sale; and that the maximum permissible plot ratio has been proposed to be fully utilised under the CWK Project, which are two of the key measures to encourage redevelopment in non-industrial zones under the Revitalisation Measures. Further, when we acquired the entire CWK Property from a single owner in December 2013, we did not make use of the measure for lowering the application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong), being one of the then key measures to encourage redevelopment in non-industrial zones under the Revitalisation Measures. For details of these key measures, please refer to “Regulatory Overview — Regulatory Overview of the Hong Kong Property Industry — (ix) Revitalisation Measures” beginning on page 77 of this prospectus. As such, we did not make use of any of the Revitalisation Measures in the CWK Lease Modification Application, and it is anticipated that the CWK Project will not be redeveloped under the Revitalisation Measures. See “Regulatory Overview — Regulatory Overview of the Hong Kong Property Industry — (iii) Terms of government lease — Lease modifications” for further details of procedures for application for lease modifications.

The CWK Lease Modification Application had been considered by the DLC on 16 March 2016 and 13 April 2016. At the DLC held on 13 April 2016, the CWK Lease Modification Application was approved by the DLC and we indicated our acceptance to the lease terms at the same DLC. On 27 April 2016, we received the provisional basic terms offer in respect of the CWK Lease Modification Application from the Lands Department, which was in line with the terms sought by our Group except for the amount of the land premium which was being assessed as at the Latest Practicable Date. On 5 May 2016, we accepted the provisional basic terms offer of the CWK Lease Modification Application and are awaiting the land premium assessment by the Lands Department. Pursuant to the letter dated 27 April 2016 from the Lands Department, the binding basic terms offer (including the assessed amount of the land premium) in respect of the lease modification would be formally made to us by 19 July 2016. Based on the above, our Directors believe that the binding basic terms offer together with the assessed amount of the land premium in respect of the lease modification will be issued in or around July 2016. As advised by Vincent T.K. Cheung, Yap & Co., our Company’s legal advisers, given that the DLC has already approved the CWK Lease Modification Application on 13 April 2016 and we had also already indicated our acceptance to the lease terms at the DLC on the same date, other than the issue of a possible disagreement on the amount of land premium payable by our Group, there should not be legal impediments for our Group in obtaining the lease modification for the CWK Project from the Lands Department. Given the fact that we acquired the entire CWK Property from a single owner in December 2013, and did not make use of the measure for lowering the application threshold for compulsory sale

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orders under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong), being one of the then key measures to encourage redevelopment in non-industrial zones under the Revitalisation Measures, and we did not make use of any of the Revitalisation Measures in the CWK Lease Modification Application, it is anticipated that the CWK Project will not be redeveloped under the Revitalisation Measures. In addition, we have appointed an architectural firm and several engineering firms to conduct pre-construction works including conducting technical studies and architectural design and have submitted hoarding plan, demolition plan and general building plans to Buildings Department. Plans for demolition and hoarding were approved by the Buildings Department in June 2015 and July 2015, respectively. We have also selected our contractor for the hoarding and demolition works. Construction works are expected to commence as soon as the existing leases will expire in the second quarter of 2016. Early stages of construction works (comprising demolition and foundation works) in relation to the CWK Property are expected to commence in the third quarter of 2016 whereas superstructure construction works are expected to commence after the settlement of land premium.

In general, following the Lands Department's assessment of the land premium, the DLO will then send the binding basic terms offer which includes a comprehensive set of the proposed new lease conditions and the amount of land premium to the applicant, which is usually required to be accepted within one month of the date of the offer letter. Upon receipt by the Lands Department of the written acceptance from the applicant together with, among other things, payment of a deposit equivalent to 10% of the agreed land premium, a binding contract shall be regarded as having been formed with the HK Government. Generally, within three months after such formation of binding contract, the Lands Department will issue the lease modification letter to the applicant for execution and require the applicant to pay the balance of the agreed land premium. The executed modification letter will be registered at the Lands Registry with the concerned registration fee to be paid by the applicant. For details of these steps in relation to the lease modification, please refer to "Regulatory Overview — Regulatory Overview of the Hong Kong Property Industry — (iii) Terms of government lease" beginning on page 71 of this prospectus.

As at the Latest Practicable Date, the land premium was being assessed by the Lands Department's valuers. Upon receiving the binding basic terms offer containing the amount of land premium as proposed by the Lands Department, we will assess the fairness of the proposed amount of land premium, and may negotiate with the Lands Department if we disagree with the Lands Department on the amount of the land premium offered. Based on the best estimation of the Directors on the overall timing of the approval of the CWK Lease Modification Application and assuming the land premium to be offered by the Lands Department after our initial negotiation is acceptable to us, the earliest practicable time for our full payment of the land premium and execution of the lease modification letter is currently expected to be around the first quarter of 2017. Alternatively, in view of our current plan to commence the pre-sale of the CWK Project in the second quarter of 2018, we currently intend to engage in negotiations with the HK Government on the amount of land premium with a view to obtaining a better offer of the amount of land premium up to the end of 2017 in line with the intended development schedule of the CWK Project. In such event, we currently intend to settle with the HK Government on the amount of land premium by the end of 2017 and on such basis, the full payment of land premium and the execution of the lease modification letter in relation to the CWK Project are expected to take place in the last quarter of 2017 or the first quarter of 2018.

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We will consider the amount of the land premium assessed by the Lands Department which is expected to be issued in or around July 2016 and assess whether the same is within the range commercially acceptable to our Group. In the unlikely event that we are unable to obtain the approval of the CWK Lease Modification Application as a result of our disagreement of the assessed amount of land premium upon our receipt of the assessment in July 2016 by reason of it being commercially unacceptable to our Group, we will not proceed to demolish the CWK Property and instead, we intend to carry out property enhancement on the relevant property via alterations and additions works so as to upgrade the existing industrial building to enjoy capital appreciation from the sale of the completed workshop units and/or rental income from leasing of the workshop units once completed, as we deem appropriate at the time. We will obtain the relevant approval from the Buildings Department before commencement of such alterations and additions works and such alterations and additions works do not require the approval of the CWK Lease Modification Application. To the best of our Directors' knowledge and estimation, and based on the prevailing market rate of construction costs and assuming that there is no change in construction costs, general market conditions and other factors affecting the construction costs, resulting value enhancement, profitability and construction time required, (a) the total estimated construction costs relating to alterations and additions works will be lower as compared with the total estimated construction costs relating to redevelopment; (b) the resulting value enhancement and profitability upon completion of the alterations and additions works are therefore expected to be lower as compared with those upon completion of redevelopment of the CWK Property into a commercial building; and (c) the estimated time required for carrying out alterations and additions works would be less than that for carrying out the redevelopment works. See "Business — Our Development Projects — Projects under development — CWK Project" commencing on page 128 of this prospectus for details of the contingency plan for the CWK Project in the unlikely event that the approval of the CWK Lease Modification Application cannot be obtained and the Directors' views on the impact on total construction costs, resulting value enhancement, profitability and estimated time when the CWK Project is carried by way of alterations and additions works instead of the redevelopment works upon obtaining the approval of the CWK Lease Modification Application.

See "Our Development Projects — Sources of funding for our four property development projects" in this section for further details. Upon completion of the CWK Project, we currently intend to realise the office units at an enhanced capital value and lease out the street level shops and parking spaces for rental income.

Currently, the units of the CWK Property are leased to Independent Third Parties for rental income, and all the relevant rental agreements will expire in the second quarter of 2016. For the two years ended 31 December 2015, the rental income generated from leasing of units of CWK Property amounted to approximately HK\$340,000 and approximately HK\$3.5 million respectively. We expect to commence early stages of construction (comprising demolition and foundation works) from the third quarter of 2016, which can take place prior to and regardless of the agreement and settlement of the land premium and execution of the modification letter in relation to the CWK Lease Modification. As advised by Vincent T.K. Cheung, Yap & Co., our Company's legal advisers, according to the Buildings Ordinance and related regulations, we can commence demolition and foundation works subject to approval by the Building Authority, even though the lease modification procedure with the Lands Department (including the payment of the land premium) is yet to be finalised and lease modification letter is yet to be executed. As at the Latest Practicable Date, we obtained the approval from the Building Authority on hoarding plans and demolition plans in relation to the CWK Project. We will seek approval from the Building Authority on the foundation plans before commencement of such works in

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due course. In the event that we choose not to demolish the CWK Property but to carry out alterations and additions works on the CWK Property by reason of the assessed land premium being commercially unacceptable to our Group, we intend to lease out such units not affected by the alterations and additions works while such works are being carried out and lease out all units after completion of the alterations and additions works. Since all the relevant existing rental agreements will expire in the second quarter of 2016, we will locate new tenants such as through real estate agents.

Set out below is the summary of the leases in the CWK Property which were subsisting as at the Latest Practicable Date:

<u>Location</u>	<u>Expiry date of lease term</u>	<u>Current monthly rent</u>
		<i>(HK\$)</i>
Portion of Ground Floor . . . . .	December 2016 ( <i>Note 1</i> )	120,000
First Floor workshop and certain other areas . . .	November 2016 ( <i>Note 2</i> )	90,000
Second Floor workshop . . . . .	November 2016 ( <i>Note 3</i> )	88,000

*Notes:*

1. Pursuant to a notice given by us to the relevant tenant on 23 December 2015, the subject tenancy will be early terminated on 30 June 2016.
2. Pursuant to a notice given by us to the relevant tenant on 21 December 2015, the subject tenancy will be early terminated on 30 June 2016. The tenant has vacated the relevant premises to us on 29 April 2016.
3. Pursuant to a notice given by us to the relevant tenant on 21 December 2015, the subject tenancy will be early terminated on 30 June 2016.

The average occupancy rate of the CWK Property was 100% in terms of GFA for each of the two years ended 31 December 2015. In addition, one parking lot on Ground Floor of the CWK Property was licensed to a licensee for a period of one month in June 2016 for a monthly licence fee of HK\$2,000.

A notice and a building order were issued by the Building Authority to the previous owner of the CWK Property ordering, among others, the demolition of certain structures and reinstatement of the affected premises to their original condition. These unauthorised building works which were the subject of the said notice and order do not represent contravention of the Buildings Ordinance by the relevant subsidiary of our Company, being the current owner of the CWK Property. Nonetheless, we completed the removal of such unauthorised building works in February 2016 as part of the first stage of the demolition works. Such removal was reported to the Building Authority on 1 March 2016. As at the Latest Practicable Date, the letter of compliance was pending to be issued by the Buildings Department.

The existence of the above issue does not prevent the subject property from being transferred or being suitable for acceptance by banks as security for mortgage loans under Hong Kong law. Whether a purchaser accepts title to such property subject to such issue, or seeks to exercise the right to refuse completion, may be driven by that purchaser's perception as to how the property market will perform in the future. If a person does not contractually agree to purchase the property subject to such issue, no transfer may occur. Conversely, if a person is prepared to accept such issue on the property, the transfer will proceed. Our Directors confirmed that we did not enjoy any material discount as a result of the existence of unauthorised building works and building order when we acquired the CWK Property.

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### *Sources of funding for our four property development projects*

#### *Completed project — The Galaxy*

We commenced construction of The Galaxy, our first completed project, in the first quarter of 2012 and completion of its construction took place in August 2014. The total development costs (including finance costs) of The Galaxy amounted to approximately HK\$381.8 million, mainly comprising (a) acquisition cost of the development site of The Galaxy of approximately HK\$56.5 million paid by us in November 2010, which was fully financed by shareholder's loan; and (b) the construction costs of approximately HK\$322.3 million, of which approximately 68.2% was funded by bank loan obtained by us and the remaining portion was financed by our internally generated funds such as proceeds from the pre-sale of The Galaxy.

#### *Project under construction — The Star*

We commenced construction of The Star in the second quarter of 2013, including hoarding and demolition works, foundation works and other construction works, and it is still under construction. It is expected that completion of its construction will take place in the fourth quarter of 2016. The estimated total development costs (excluding finance costs) of The Star are expected to amount to approximately HK\$485.1 million, mainly comprising (a) acquisition cost of the development site of The Star of approximately HK\$162.8 million paid by us in February 2013, of which 50% was financed by the shareholders' loan and 50% by bank borrowings; and (b) estimated total construction costs (excluding finance costs) which are expected to amount to approximately HK\$314.0 million, of which approximately 2.4%, 16.6% and 23.5% was incurred for the three years ended 31 December 2015 respectively, and approximately 57.5% is expected to be incurred for the year ending 31 December 2016. The estimated total construction costs of The Star have been financed partly by bank loan obtained by us and partly by our internally generated funds such as proceeds from the pre-sale of The Star.

#### *Project under development — Yue Fung Project*

We acquired the Yue Fung Property in July 2015 for the purposes of the development of the Yue Fung Project, of which the design and planning works have commenced and early stages of construction works are expected to commence in the fourth quarter of 2016. The estimated total development costs (excluding finance costs) of the Yue Fung Project are expected to amount to approximately HK\$646.0 million, mainly comprising (a) acquisition cost of the Yue Fung Property of approximately HK\$430.0 million paid by us in July 2015, of which 50% was financed by the shareholders' loan and 50% by bank borrowings; and (b) estimated total construction costs (excluding finance costs) which are expected to amount to approximately HK\$175.1 million, of which approximately 2.9% and 46.6% are expected to be incurred for the two years ending 31 December 2017, respectively, and approximately 50.5% is expected to be incurred after the year ending 31 December 2017. The estimated total construction costs of the Yue Fung Project will be financed mainly by bank loan in the amount of HK\$170 million which has been obtained by us and partly by our internally generated funds.

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### *Project under development — CWK Project*

We acquired the CWK Property in November 2014 for the purposes of the development of the CWK Project, of which the design and planning works have commenced and construction works (comprising demolition and foundation works) are expected to commence in the third quarter of 2016. The estimated total development costs (excluding land premium to be assessed by the Lands Department) of the CWK Project are expected to be approximately HK\$792.6 million, mainly comprising (a) acquisition cost of the CWK Property of approximately HK\$173.0 million paid by us in July 2015, of which 60% was financed by shareholders' loan and 40% by bank borrowings; and (b) estimated total construction costs (excluding finance costs and land premium) which are expected to amount to approximately HK\$599.7 million, of which approximately 0.1% and 8.8% are expected to be incurred for the two years ending 31 December 2017 respectively; and approximately 91.1% is expected to be incurred after 2017.

It is expected that the estimated total construction costs of the CWK Project will be financed (i) partly by bank loan to be obtained by us and (ii) partly by our internally generated funds including proceeds from the sold units of The Star, the anticipated pre-sale of the CWK Project and the anticipated sale proceeds of the unsold units of The Galaxy. We expect that we will be able to obtain a banking facility to finance all or part of the total construction costs (excluding finance costs and land premium), which is generally in line with the market practice. Generally, under the terms of our existing banking facilities for construction loans, draw down is to be made by stages according to the construction progress, such as upon producing architect certificate or quantity surveyor certificate certifying the completion of various stages of works. In addition to the said banking facility, we also intend to partly finance the construction costs by part of the proceeds from the sold units of The Star, which are expected to be received by us upon completion and delivery of The Star commencing from the fourth quarter of 2016. We expect that the said banking facility (if granted) and part of the proceeds from the sold units of The Star will be sufficient to finance the construction costs in full.

Apart from the above funding sources, we may also choose to lower our borrowing costs by utilising additional funding from the anticipated pre-sale proceeds of the CWK Project and the anticipated sale proceeds of the unsold workshop units of The Galaxy (“**Anticipated Additional Funding**”) as and when available to partly finance the construction costs, subject to certain factors, such as the proposed pre-sale schedule of the CWK Project, whether there are any restrictions for the use of pre-sale proceeds contained in the terms of the banking facility and the percentage of units being successfully pre-sold. As such, depending on the availability of such Anticipated Additional Funding, we may choose to finance the construction costs partly by part of the sale proceeds of The Star and the Anticipated Additional Funding (if available at the relevant time) without having to draw down the entire amount of the banking facility. If the pre-sale proceeds of the CWK Project will be available at the relevant time, we expect that they will represent approximately 20% of the total selling price of the units to be pre-sold under the CWK Project, being the initial deposits to be received from prospective purchasers. In the event that any part of such Anticipated Additional Funding becomes available, our Group will use the relevant funds first so as to reduce the amount of bank loans to be borrowed.

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To the best of our Directors' knowledge and estimation, and based on the prevailing market rate of construction costs and assuming that there is no change in construction costs, general market conditions and other factors affecting the construction costs and construction time required, set out below is the breakdown of the estimated construction costs of the CWK Project and its intended sources of financing:

	<u>Approximate amount</u> (HK\$)
<b>Current best estimation of construction costs</b>	<u>599,700,000</u>
<b>Primary Funding</b>	
Bank borrowing expected to be obtained	599,700,000
Part of the proceeds from the sold units of The Star	12,000,000
<b>Anticipated Additional Funding</b>	
Anticipated pre-sale proceeds of the CWK Project (based on current best estimation)	328,600,000
Anticipated sale proceeds of the unsold workshop units of The Galaxy (based on current best estimation)	<u>25,970,000</u>
<b>Total amount of funding expected to be available</b>	<u>966,270,000</u>
Anticipated funding surplus	<u>366,570,000</u>

Land premium is to be assessed by the Lands Department. As at the Latest Practicable Date, we had not yet received the assessment of land premium from the Lands Department. Upon receipt of the assessment of land premium from the Lands Department, the amount of land premium would still be subject to negotiation and change. As a general principle for premium assessment, land is assessed at full market value, taking into account the restrictions as imposed under the lease and other statutory provisions such as the relevant outline zoning plans and Buildings Ordinance. The valuation is conducted by professional estate surveyors in the Lands Department. When assessing the land value for land transactions, the professional estate surveyors in the Lands Department take into account a number of cost and revenue aspects, including the prevailing sale price of the completed development, the development costs of the project, the development period and the profit margin of the developer. They also take into account market changes which may impact on the land premium assessment by allowing developer's profit margin to be assumed in land premium assessment process, which amounts to 25% and 30% for commercial development and industrial development, respectively. The Lands Department would assess the premium payable for a lease modification on the basis of the difference between the land value of the site subject to the modified lease conditions and the land value subject to the existing lease conditions.

We expect that the land premium in respect of the CWK Project will be financed (i) partly by bank loan to be obtained by us, and (ii) partly by our internally generated funds including revenue to be generated from the sale of units of The Star and revenue to be generated from the sale of all parking spaces on the second floor of The Galaxy. We currently expect that 50% of the land premium will be financed by bank loan to be obtained by us as stated in (i) above, which is in line with the maximum

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exposure for property project loans acceptable to the Hong Kong Monetary Authority. On 27 May 2016, we received a letter from a bank which in-principle agreed to grant additional banking facilities to our Group for (i) 100% of the land premium of the CWK Property as confirmed by Lands Department or 50% of the land value of the CWK Property after lease modification, whichever is lower; and (ii) 100% of the construction costs of the CWK Project subject to final approval of the bank's management and satisfactory financial due diligence and certain documentary requirements.

Given that (i) we were able to obtain loans from banks for up to 50% of the acquisition costs of the property or development site in respect of The Star and the Yue Fung Project and had sufficient internally generated funds to finance the remaining portions of the relevant acquisition costs; (ii) we were able to obtain sufficient banking facilities and had sufficient internally generated funds to finance the construction costs in respect of The Galaxy, The Star and the Yue Fung Project; (iii) we have established stable relationships with our existing principal banks; (iv) we have experience in property development and did not experience difficulties in obtaining bank borrowings during the Track Record Period; and (v) we will provide collateral(s) as may be reasonably required by banks as security for the banking facilities, assuming there will be no material adverse change to the property market in Hong Kong in the near future, our Directors are of the view that there will not be material difficulties for us to obtain bank loans to finance the land premium and construction costs of the CWK Project on terms similar to those of the bank loans previously obtained by us, and together with the internally generated funds such as revenue to be generated from the sale of units of The Star as mentioned above, our Directors believe that we will have adequate means to finance the land premium and construction costs in respect of the CWK Project. We currently do not intend to apply the net proceeds from the Global Offering to finance the construction costs and land premium payable for the CWK Project.

In the unlikely event that we are unable to obtain the approval of the CWK Lease Modification Application as a result of our disagreement over the assessed amount of land premium in respect of the CWK Lease Modification Application, we intend to carry out property enhancement on the relevant property via alterations and additions works so as to upgrade the existing industrial building to enjoy capital appreciation from the sale of the completed workshop units and/or rental income from leasing of the workshop units once completed, as we deem appropriate at the time. To the best of our Directors' knowledge and estimation, and based on the prevailing market rate of construction costs and assuming that there is no change in construction costs, general market conditions and other factors affecting the construction costs, resulting value enhancement, profitability and construction time required, (a) the total estimated construction costs relating to alterations and additions works would be lower as compared with the total estimated construction costs relating to redevelopment works; (b) the resulting value enhancement and profitability upon completion of the alterations and additions works would be lower as compared with those upon completion of redevelopment of the CWK Property into a commercial building; and (c) the estimated time required for carrying out alterations and additions works would be less than that for carrying out the redevelopment works.



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According to the JLL Report, despite that the purchase price for residential properties has recently decreased modestly, the private industrial and studio office markets have remained stable primarily due to the shortage in the supply of newly built industrial buildings and commercial buildings in non-CBD areas. In the event that there is any material adverse change to the Hong Kong property market as a whole, we may defer our relevant development plan to a later date. In line with our business practice, we will monitor the market conditions from time to time to formulate and, if necessary, adjust our development plan to suit market conditions. As such, our Directors are of the view that in the event of the prevailing downturn of the Hong Kong residential property market, there will not be any material impact on our Group's development projects, since we are currently not engaged in the property development and property investment of residential properties. According to the JLL Report, with strong growth in private consumption and investment expenditure, together with Hong Kong Government's readjustment policies, real estate market in industrial properties and commercial properties in Hong Kong is expected to grow in the long run.

### **THE POTENTIAL IMPACT OF THE EXPIRY OF REVITALISATION MEASURES APPLICATION PERIOD ON OUR GROUP'S BUSINESS AND FUTURE PROSPECTS**

The Revitalisation Measures comprise (1) measures to encourage redevelopment in non-industrial zones (which comprise (a) the lowering of application threshold for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong); (b) allowing lease modifications or land exchange for redevelopment at "pay for what you build" premium (i.e. based on the optimal use and proposed development intensity) for redevelopment of industrial buildings situated in non-industrial zones; and (c) allowing owners who modify the lease for redevelopment to opt for payment of 80% of the premium for the lease modification by annual instalments up to five years at a fixed rate of interest, if the premium for the lease modification exceeds HK\$20 million); and (2) measure to encourage wholesale conversion in "Industrial", "OU(B)" and "Commercial" zones. The application period for the Revitalisation Measures under (1)(b), (1)(c) and (2) above expired on 31 March 2016. Among our property portfolio, we applied for the special waiver for conversion of the entire industrial building into commercial building in respect of the Yue Fung Property at nil waiver fee. See "Regulatory Overview — Regulatory Overview of the Hong Kong Property Industry — (ix) Revitalisation Measures" in this prospectus for details.

During the Track Record Period, we generated a majority of our revenue from The Galaxy and we expect that we will generate a majority of our revenue from The Star for the two years ending 31 December 2017 upon the anticipated delivery of the sold workshop units of The Star in the same period. As neither The Galaxy nor The Star utilised the Revitalisation Measures, the implementation of, and the subsequent Expiry Of Revitalisation Measures Application Period had no impact on these two development projects.

The Yue Fung Special Waiver Application under the Revitalisation Measures was made in October 2015 prior to the Expiry Of Revitalisation Measures Application Period. As at the Latest Practicable Date, we had not yet obtained the approval of the Yue Fung Special Waiver Application. We received a letter on 5 April 2016 from the Lands Department (the "**Reply Letter**") notifying that such application has been circulated to the concerned Government departments for comments. Our Company's legal advisers, Vincent T.K. Cheung Yap & Co., are of the view that there would be no legal impediments for us to obtain the approval of the Yue Fung Special Waiver Application from the Lands Department, subject to certain future events such as the introduction of any relevant new laws, rules and regulations.

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See “Business — Our Development Projects — Projects under development” in this prospectus for details of our legal adviser’s view. Based on the above, our Directors consider that the Expiry Of Revitalisation Measures Application Period has no impact on the Yue Fung Project. See “Business — Our Development Projects — Projects under development — Yue Fung Project” commencing on page 122 of this this prospectus for details of alternative plan if the approval of the Yue Fung Special Waiver Application is not obtained, and comparative analysis of the Yue Fung Project between conversion into an upgraded industrial building without the special waiver and the conversion into a commercial building under the special waiver.

As for the CWK Lease Modification Application, as advised by Vincent T.K. Cheung, Yap & Co., our Company’s legal advisers, given that the DLC had already approved the CWK Lease Modification Application on 13 April 2016 and we accepted the provisional basic terms in respect of the lease modification on 5 May 2016, other than the issue of a possible disagreement on the amount of land premium, there should not be legal impediments for us to obtain the lease modification for the CWK Project from the Lands Department. See “Business — Our Development Projects — Projects under development — CWK Project” commencing on page 128 of this prospectus for details of our legal adviser’s view. Based on the above, our Directors consider that the Expiry of Revitalisation Measures Application Period has no impact on the CWK Project.

Going forward, our Directors believe that our future business operations will not be materially adversely affected by the Expiry Of Revitalisation Measures Application Period based on the following reasons:

- (i) the private industrial and studio office markets have remained stable, underpinned by the relatively stable demand and relatively limited supply of such properties. In respect of newly built industrial buildings, the demand remained stable which is evident by over 2,600 transactions recorded between April 2010 and early April 2016 for newly built industrial buildings completed since 2011;
- (ii) we will continue to identify development opportunities that are similar to our development projects such as The Galaxy and The Star as we believe that there is a stable supply of old industrial buildings with good development potential available for redevelopment into newly built industrial buildings. The supply of development sites for newly built industrial buildings comes from the existing industrial buildings, in particular for those which are now old and under-utilised. According to the JLL Report, in 2014, about 48.9% or 233 buildings were 30 years old or above, about 45% or 214 buildings were between 15 and 29 years old and about 4% or 19 buildings were below 15 years old and only 10 buildings were five years old or less. In terms of conditions, about 15.1% of the industrial buildings were in poor conditions in 2014. It is expected that the supply of development sites for newly built industrial buildings will remain stable for the coming years as there is a good potential for redevelopment of the aged industrial buildings such as those which are over 30 years old and those industrial buildings which are in poor conditions;
- (iii) in respect of studio offices, as suggested by the JLL Report, as at 31 December 2014, 8.6 ha of industrial sites were subject to rezoning to other uses, while another 29.2 ha of industrial sites were subject to ongoing studies for possible rezoning to other non-industrial uses. We

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believe that there is a good potential in the development of studio offices in industrial and “OU(B)” zones subject to the Hong Kong Government’s initiatives and increasing demand for the studio office market; and

- (iv) we will continue to identify development opportunities that are similar to the CWK Project. Although the Revitalisation Measures are no longer available, our Directors are of the view that the Expiry Of Revitalisation Measures Application Period does not affect our ability to undertake projects that are similar to the CWK Project as we did not make use of any of the Revitalisation Measures in the CWK Lease Modification Application; and in the event that we come across any development opportunities that are similar to the CWK Project (i.e. property projects involving the redevelopment of an industrial property into a commercial building) in the future, we will still be able to undertake these projects since we can still apply for lease modifications in accordance with the HK Government’s policy in allowing modification of existing lease conditions regarding a lot, if such policy remains available after the Expiry Of Revitalisation Measures Application Period, details of such policy are set out in “Regulatory Overview — Regulatory Overview of the Hong Kong Property Industry — (iii) Terms of government lease — Lease modifications” of this prospectus. There is a stable supply of old industrial buildings with good development potential located in the “OU(B)” zone that are available for redevelopment into commercial buildings. The supply of development sites for commercial properties such as studio offices mainly come from land/buildings located in “OU(B)” zones such as Kwai Chung, Cheung Sha Wan, Kwun Tong and Kowloon Bay. Property developers such as our Group can redevelop those aged industrial buildings located in these zones without undergoing rezoning application and this provides more opportunities and shortens the time of redevelopment.

Although we can still apply for lease modifications for any property redevelopment projects in accordance with the relevant HK Government’s policy, we would not be able to benefit from the flexibility offered under the Revitalisation Measures such as the “pay for what you build” premium and the “premium payment by annual instalments” if we seek to opt for these flexibility in our future redevelopment projects. Further, after the Expiry Of Revitalisation Measures Application Period, we will not be able to undertake projects that are similar to the Yue Fung Project which involves conversion of an industrial building into a commercial building via carrying out alterations and additions works, unless we pay a waiver fee; and as such, we can only carry out alterations and additions works on such industrial property so as to enhance their capital and rental value without changing its use. As a result, we anticipate that the extent of increase in capital and rental value of the industrial properties would be less without changing their use as compared with projects which involve the conversion of industrial properties into commercial use through application for the special waiver at nil waiver fee under the Revitalisation Measures. On such basis, we anticipate that our future projects which involve the carrying out of alterations and additions works on industrial properties without changing their use will be less profitable than the Yue Fung Project.

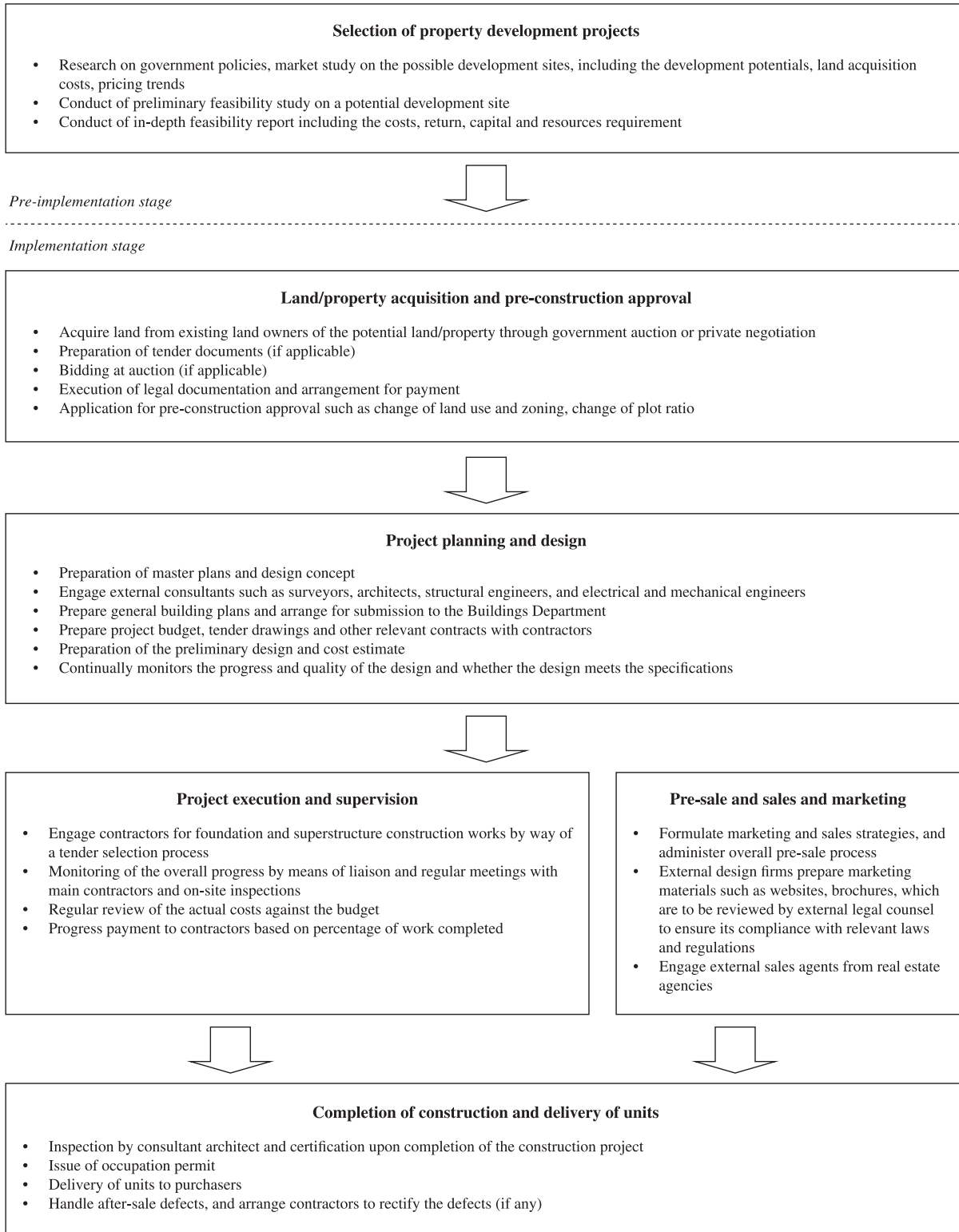
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## PROJECT DEVELOPMENT WORKFLOW

We have formulated and maintained a systematic approach in project acquisition, planning, design, construction, sales and marketing, and delivering our completed properties. Our property development process and procedures are summarised in the diagram below:



**Pre-implementation stage**

*(1) Selection of property development projects*

The pre-implementation stage of a property development project involves work processes relating to the selection and identification of suitable property development projects, which comprise (1) the research, selection and identification of potential site suitable for property development which is in line with the business strategy of our Group; and (2) conducting feasibility studies in relation to the property development of the selected potential site(s). This stage is handled by our project development department, which comprises five members and is led by Mr. Jack Lam. Leveraged on our expertise and experience, we identify the most desirable and suitable property type for a particular site and conduct a detailed feasibility study on the proposed usage of the site as well as allowable use under the government policy and demand for such properties. We also perform analysis on the key aspects in a property development project, including (1) conducting detailed analysis on financial and operational feasibility, to assess whether our Group has sufficient financial funds for the co-existing projects and the timeline for our fund flow; (2) assessing deployment of our human resources and the capacity of our team to handle multiple projects; (3) determining whether the properties to be developed in the site will be held for sale or retained by us for long term investment, by taking into consideration various factors such as location, land use plans and regional market conditions.

Although we currently focus on the property redevelopment and/or enhancement (via alterations and additions works) of aged industrial properties, we may in the future decide to expand or adjust our property portfolio mix in response to changing market condition and customer demand.

*Identification and selection process*

After confirming the types of properties to be developed, our project development department will explore into and identify the possible development sites, which will be done through estate agent by way of property and/or land sales pitch, announcement about government land for tender on websites of Lands Department or advertisements on newspapers and/or websites of the estate agents. To keep ourselves updated with the market situation and identify potential development sites or land for our future development, we pay frequent visit to potential sites to inspect the conditions of potential properties and land, as well as the surrounding environment and infrastructure in the vicinity of the sites. We conduct due diligence on development potentials of the relevant sites, land acquisition costs, pricing trends and market supply and demand, following which we prepare feasibility studies regarding the positioning of our development projects and investment return analysis, based on estimated budget and project sales value of the completed properties. We also place significant focus on government policies in order to adjust our operations and property developments to ensure that our developments are in line with current policies and trend and to capture market opportunities.

We consider various factors in our site selection and development appraisal including:

- (a) general economic conditions such as economic growth, population, market supply and demand and the purchasing power of local residents;
- (b) any preferential governmental policies such as proposed future development, extension of the transport line;

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- (c) the site area and location, transportation access and availability of infrastructure support;
- (d) the estimated project development costs, financing and marketing timetable and compatibility with other projects;
- (e) the estimated investment return;
- (f) competitive environment; and
- (g) other relevant criteria such as zoning constraints, land use, plot ratio.

When we decide to proceed with a particular project, we will prepare a feasibility study and submit to the chief executive officer for approval given due consideration on the costs, return, capital requirement and resources requirement of the proposed project against our available resources and compatibility with our strategic direction.

### **Implementation Stage**

#### ***(2) Land/property acquisition and pre-construction consents***

Where suitable opportunities arise, we will acquire land/property through bidding at auctions or submission of tender documentation or negotiation of private sales as appropriate. As at the Latest Practicable Date, we acquired all of our property by private negotiations with the property owner via property agents.

When an acquisition target is identified, our project development department proceed to the pre-acquisition works, which include (1) the conduct of legal due diligence in relation to the selected site and attending the bidding/tender process of the development sites, (2) the engagement of valuer to prepare valuation for the land and buildings erected on site, (3) negotiation and execution of legal documentation in relation to the acquisition of the selected site with the relevant owner(s), arranging for financing of the acquisition (where necessary) and attending to completion of the acquisition, (4) the application for application for relevant pre-construction government approvals in relation to the property development project, such as change of land use and zoning, change of plot ratio and land premium negotiation, it would involve application and liaison with various government authorities such as the Buildings Department, Lands Department and the Town Planning Board.

Our finance department would coordinate the payment for the acquisition, including preparation and issue of pay-in slip and arranging payment of legal fees and other necessary expenses, liaising with the lawyers in relation to the entering of the provisional and formal sale and purchase agreements, completion of the transaction and mortgage documents and ensure the invoices are properly authorised and prepare relevant accounting records.

#### ***(3) Project planning and design***

After acquisition of the relevant site, depending on the needs and nature of the property development project, we would proceed to the engagement of external consultants such as surveyors, architects, structural engineers, topographical surveyor, land consultants, project quantity surveyor, lighting consultant, traffic consultant and electrical and mechanical engineers for the devise of master

plans and conceptual design specifications and general building plans in relation to the property development project, and apply for, among others, the approval of general building plans and consent to commence construction works from the Buildings Department. We may also engage consultants for other aspects of project such as quantity surveyors on land to advise on land related matters depending on the needs of each project. Consistent with industry practice, these consultants are directly engaged by our Group. In devising our development plans for a property development project it usually takes into account of several factors, including the construction methods used, site-specific characteristics, such as views from the development site, accessibility to the development site, the findings from macro market research.

### *Selection of consultants*

We typically use a tender process in selecting consultants and request such potential firms to provide a proposal with a fee quote. In making our decision, we consider a number of factors including their relevant project experience, their past cooperation experience with our Group, track record, prices quoted and estimated design cycle. After having selected the suitable candidate, we would proceed to negotiate the service terms with them and enter into consultancy agreement, which contains terms including scope of services, time frame, and price.

The consultants would design the project in line with the high level cost budget as set out in our feasibility study, as well as prepare drawing for government approval, tender drawings for construction and contract documents. We put emphasis on design timeliness and coordination between various parties in a property development project. Our project development department, comprising of experienced project managers decide the overall design and development phases of the project. We work closely with architectural and design firms to implement design specifications, adjust detailed blueprints and select finishes materials, in order to ensure quality control. Once the preliminary design is ready, a preliminary cost estimate will be provided by project quantity surveyor (engaged by us), in line with the budget and it will be used for cost monitoring during the course of the project, and monthly cost report will be prepared by project quantity surveyor and submitted to our project development department for monitoring the cost monitoring.

### **(4) *Project execution and supervision***

#### *Engagement of contractors and other service providers*

We outsourced different parts of the construction work to qualified general construction contractors during the Track Record Period. Construction works of a typical project include, among other things, ground investigation works, demolition works, foundation works, and general construction, installation of equipment, decoration and engineering work. Consistent with the market practice, we engage a contractor for construction of foundation work, as well as a main contractor for the superstructure works, and the continuous supervision of the works undertaken by such contractors. These contractors are registered licensed building contractor certified by the Buildings Department. The selection process of the main contractors are undertaken by us in conjunction with the independent project consultants engaged by us, who would be responsible for issuing tender invitation letter to invite tender from potential contractors from the list of proposed tenderers, we would ensure the contractors possess such licences by checking against the register of the Buildings Department. Contractors are selected based on the project size, capability, contractors' qualification and relevant experience. The invitation letter would contain major engagement terms such as conditions of tendering, conditions of the contracts,

specification, summary of quantities and rates and relevant drawings. Upon receiving the letters, interested candidates would express interests in the tender followed by a pre-qualification submission, which should include programme, method, and timeline of the construction. Selected tenderers would be required to submit a tender return and our project development department would assess each tender submission, taking into account the reputation of the contractors for reliability, quality and safety, price quotations, level of experience, technical capabilities, industry reputation and the references provided in the selection process. We conduct due diligence procedures on our contractors, such as inspecting their credentials and paying site visits of their offices and property projects. We carefully evaluate the suitability of each potential contractor before determining whom we award the contract to. We would also conduct comparison between the submitted tenders in terms of quantity, rate and amount. The architectural firm engaged by us would then generate a tender report, containing the recommendation, together with the tender approval form, which will be reviewed by the project manager and approved by the head of project development department. A letter of award will be issued by the architectural firm on behalf of our Group to the selected contractors upon approval by the head of project development department. The quality and timeliness of the construction is warranted by contract. The project development department monitors cost control and construction progress closely during construction with periodic on-site supervision and stringent quality control procedures. The project development Team and our consultants will perform periodic site visits and meetings to monitor the quality and progress of the construction works. Progress report will be prepared by various contractors to the consultants and project development department for regular updates on the project progress. If there are any special issues identified, the consultants and project development department would have separate meetings with the contractors concerned to discuss any issues and rectifications.

### *Role of our project development department*

Responsibility for overseeing and managing the design, construction and hand over of a project rests with our project development department. The role of the project development department is ensure necessary applications required under the Buildings Ordinance and other related regulations are met; award contracts to consultants and contractors, appoint independent consultants and monitor and supervise progress, especially in respect of construction quality and adherence to budget and schedule. Our project development department works closely with our consultants with a view to achieving creative, innovative and elegant designs while being compatible and sensitive to our environmental and social responsibilities. The project development department also has responsibility for approving and reviewing the tenders for demolition, site formation, construction and fixtures and fittings.

Under our typical construction contracts with the main contractor, the main contractor is obliged to undertake the entire construction work in compliance with our design specifications and time schedules, as specified in our construction contracts. Our main contractors are not allowed transfer its obligations to any third party without our prior written consent. We also require our contractors to comply with the relevant laws and regulations relating to construction quality. We together with consultants engaged by us monitor the on-site progress regularly. We hold bi-weekly meetings to monitor the progress of the construction works while the architectural firm engaged by us will submit monthly progress reports to us and conduct periodical inspections and reviews to ensure the quality and safety of construction works and the construction works are conducted in a timely manner. In order to ensure the quality of our contractors, we take into account a number of factors when we choose our sub-contractors, which include (i) qualification and industry experience of the sub-contractors, whether they possess the relevant qualification and experience in the relevant construction work, such as steel structure and



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electrical engineering; (ii) credibility, including any awards or accreditations received; (iii) overall capability of the sub-contractor, which includes financial, technical and management capability. See “Our Service Suppliers” in this section for details of the terms with our consultants.

### *Procurement and suppliers*

During the Track Record Period, our contractors are responsible for procuring all of the general construction materials such as steel and cement and sourcing workers for our property development projects.

The costs of construction materials procured by our construction contractors are accounted for under the relevant contractors’ fees. During the Track Record Period, the risk of price fluctuations of the construction materials were absorbed by them.

### *Project supervision, cost and quality control*

We place great emphasis on the quality control of the construction of our properties, including the procurement of construction materials, materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects, to ensure compliance with our quality standard. We place emphasis on project supervision to ensure that our project development projects meet our quality standards and comply with the relevant laws and regulations.

Quality control starts with the selection of qualified construction contractors. We inspect and review the qualification and performances of the contractors regularly to ensure they are performing up to our standards and in compliance with the laws and regulations. Our project development department conducts pre-qualification checks on the construction companies and periodically reviews and updates such list based on our experience in doing business with them. Further, it is our responsibility of our contractors to procure construction materials, materials for external finishes, interior finishes and interior fittings, and appliances for our property development projects, they are required to procure, inspect or test any materials or goods materials to ensure they meet our requirements and specifications in accordance with relevant laws, rules and requirements of the relevant government authorities, for example, the contractors are required to arrange testing of sample of concrete at laboratories, and submit the test report to the government for approval; for other materials such as iron and steel, the contractors are required furnish to us information such as the origin, price and the relevant production certificates to ensure that the quality complies with our requirement, and all materials and types, standards, quality of the raw materials must also be in the satisfaction of the architectural firm.

Our consultants conduct periodic quality checks on the building materials and workmanship on site. Our consultants also monitor the on-site progress, submit monthly progress reports to our project development department and conduct regular inspection of our construction sites to ensure quality and safety.

We adopt the lump sum fixed price contract for all our contracts, which is a standard contract form jointly issued by HKIA and HKIS on a lump sum fixed price basis. The use of such contracts enable us to control costs at a stable and predictable level. Any increase in the cost of materials or labour would be borne by our contractors and would not have any impact on our Group. During The Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not experience any material cost overrun in our projects.

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We are not responsible for any labour issues of our contractors or accidents and injuries that may occur during construction. These risks are borne by the contractors, as provided in our contracts with them. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labour, social and safety regulations to minimize our risks and liabilities. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, we had not encountered any material quality or safety problems nor received any material complaints about the quality of our projects, nor were there any non-compliance resulted in material injuries or fatalities of the construction workers.

### *Payment to our consultants and contractors*

Our contractors were required to submit monthly payment application in accordance with the terms of their contracts. The project quantity surveying firm and architectural firm will assess the payment application and issue an architect certificate/payment certificate to certify the payment amount base on the actual work done amount for the payment purpose. The contractors would be required to submit their invoice with the architect certificate/payment certificate attached to request for payment. Invoices and payment requisitions are received from contractors from time to time by the stage of completion. Our consultants are required to submit invoices as per payment schedules in line with work progress. The invoices and payment requisitions will be checked by the project development department and approved by its department head. The approved invoices and payment requisitions will be forwarded to the finance department for further processing.

### **(5) *Pre-sale and sales and marketing***

Consistent with market practice and to maintain a healthy cashflow of our Group, we commenced pre-sale of properties upon completion of the foundation works. The sale of our properties are organised by our in-house sales and marketing department. Our sales and marketing department is primarily responsible for organising promotional campaigns and events to market and raise awareness of the properties and liaising with property agents and customers in the sale and purchase process. Before we commence pre-sales upon the completion of foundation work, and our sales and marketing team would commence the pre-sale activities including setting up sales kits and sales office for the property agents and potential customers to obtain information about our properties. We also engage property agencies for our pre-sale activities. See “Sales and Marketing” in this section for further details of our sales and marketing activities.

### **(6) *Completion of construction and delivery of units***

We endeavour to deliver completed properties to our customers on a timely basis in accordance with the terms of the sales and purchase agreements. After the construction of our properties have completed, the architectural firm engaged by us will carry out inspection and prepare a defect list for contractor to rectify defects. The architectural firm engaged by us will also apply to Buildings Department for issue of occupation permit, which involves inspection of the completed building by the Buildings Department. Upon issue of the relevant occupation permit, our legal counsels will notify our customers to complete the transaction and deliver the properties to them to complete the sales process. As part of our quality control policy, we would also require our purchasers to acknowledge and signed on a property handover form, confirming that they have received and are satisfied with the items ancillary to the unit, such as keys, fitting and fixtures, air conditioning installation and fire installation

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system. We also provide after-sales services such as rectifying any defects of the property within the defect liability period stipulated under the sales and purchase agreements. See “After-Sale Services” in this section for details of the after sale services.

### OUR SUPPLIERS

We believe that the selection of suppliers plays a crucial part in maintaining quality of our development projects, ensuring that our developments are of high quality and in turn further enhancing our brand recognition. To effectively manage a diversified portfolio of suppliers, we have in place stringent supplier assessment measures and will proceed with cooperation with those supplier candidates who could meet our requirements. During the Track Record Period, we entered into service agreements with our suppliers. See “Project Development Workflow — Implementation stage — (4) Project execution and supervision — Engagement of contractors and other service providers” in this section for details of procedures for selecting contractors and other service providers.

Our assessment on suppliers places emphasis on their market positioning, quality, price, production capacity, supply lead time, reliability, creditworthiness and past experiences.

Our suppliers primarily include our consultants such as architectural firms, engineering firms and surveying firms as well as contractors, ground investigation contractor, property agencies, interior design firms and law firms. Our five largest suppliers accounted for 91.8%, 90.9% and 85.1% of our total cost incurred, for the three years ended 31 December 2015 respectively. Our top five suppliers during the Track Record Period comprised contractors, architectural firms, vendors of development sites, ground investigation contractor, interior design firm, law firm, and bank loan consultancy services provider. The length of our relationship with our five largest suppliers during the Track Record Period ranged from one year to four years. Most of them were in general engaged by us on project-basis, the engagements of which generally lasted for more than a year. Save for the suppliers of development sites which are required to settle the purchase price pursuant to the terms of the relevant sale and purchase agreements, our suppliers in general grant us a credit term of up to 30 days, and we settle our payment mainly by bank transfers and cheques.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our consultants and contractors, including the consultants and other contractors engaged through them, and there had not been any breach of these agreements during the Track Record Period we were not subject to any material penalty, claim, or direct loss resulting from unsatisfactory work performed by third-party contractors or from construction delays.

During the Track Record Period, we did not encounter any material disruption in our operation due to shortages of raw materials or labour.

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The table below sets out the profile of our five largest suppliers based on the total cost incurred attributable to them during the three years ended 31 December 2015:

### For the year ended 31 December 2013:

<b>Rank</b>	<b>Our supplier</b>	<b>Principal business activities</b>	<b>Year of commencement of business relationship</b>	<b>% of total cost incurred</b>	<b>Payment method</b>
1.	Supplier A	Investment holding (vendor of the development site of The Star)	2013	57.3	Staged payment in accordance with the sale and purchase agreement
2.	Shun Shing	Main construction contractor	2012	30.7	Staged payment in accordance with completion progress with a credit term of up to 30 days
3.	Supplier B	Main construction contractor	2011	1.8	Staged payment in accordance with completion progress with a credit term of up to 30 days
4.	Supplier C	Architectural firm	2011	1.1	Staged payment in accordance with completion progress
5.	Supplier D	Bank loan consultancy services	2011	0.9	Initial deposit followed by the remaining balance upon availability of bank loan facility

### For the year ended 31 December 2014:

<b>Rank</b>	<b>Our supplier</b>	<b>Principal business activities</b>	<b>Year of commencement of business relationship</b>	<b>% of total cost incurred</b>	<b>Payment method</b>
1.	Supplier E	Investment holding (vendor of the CWK Property)	2013	40.7	Staged payment in accordance with the sale and purchase agreement
2.	Shun Shing	Main construction contractor	2012	37.1	Staged payment in accordance with completion progress with a credit term of up to 30 days
3.	Supplier B	Main construction contractor	2011	11.3	Staged payment in accordance with completion progress with a credit term of up to 30 days
4.	Supplier C	Architectural firm	2011	1.6	Staged payment in accordance with completion progress
5.	Supplier F	Provision of interior design and contracting services	2014	0.2	Staged payment in accordance with completion progress

### For the year ended 31 December 2015:

<b>Rank</b>	<b>Our supplier</b>	<b>Principal business activities</b>	<b>Year of commencement of business relationship</b>	<b>% of total cost incurred</b>	<b>Usual credit term and payment method</b>
1.	Supplier B	Main construction contractor	2011	79.0	Staged payment in accordance with completion progress with a credit term of up to 30 days
2.	Supplier C	Architectural firm	2011	3.6	Staged payment in accordance with completion progress
3.	Supplier G	Architectural firm	2014	1.7	Staged payment in accordance with completion progress
4.	Supplier H	Provision of various testing services including ground investigation works	2014	0.5	Staged payment in accordance with completion progress with a credit term of up to seven days
5.	Supplier I	Provision of legal services	2013	0.3	Initial payment at the signing of the sales and purchase payment and the balance being paid at completion of the transaction

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Shun Shing, one of our top five suppliers during the two years ended 31 December 2014, is an associate of Mr. Joe Chan, and therefore it is a connected person of our Group.

The principal terms of the contracts with Shun Shing include the scope of work, a timetable for construction, fees and payment terms. We typically do not make any pre-payments, our payment is made in stages upon the completion of each construction milestones in accordance with the construction contracts. Upon the completion of the entire project, we usually settle approximately 97.5% of the total contract price while holding back the remaining 2.5% as retention money until expiry of defects liability period and satisfactory completion of rectification of defects. We believe that the amount of retention money we withhold under our construction contracts is generally in line with industry practice. The price and the terms of the contract with Shun Shing have been determined after arm's length negotiation between the parties with reference to quotations of other potential candidates and market conditions. Shun Shing has gone through tendering processes conducted by an independent project consultant and submitted tender documents to the independent project consultant as other potential candidates, and Shun Shing was selected after consideration of various selection criteria including reputation of the contractors for reliability, quality and safety, price quotations, level of experience, technical capabilities, industry reputation and the references provided in the selection process. See "Project Development Workflow — Implementation stage — (4) Project execution and supervision — Engagement of contractors and other service providers" in this section for details of procedures for selecting contractors and other service providers. Our Directors are of the view that the terms of the contract are on normal commercial terms and are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

Set out below are the terms of our typical contracts with our main contractors:

**Responsibilities of  
the main contractor**

The main contractor, if appointed, will be wholly responsible for carrying out and completing the works, its scope of work includes:

- (i) organising, managing, planning and supervising the carrying out of the works;
- (ii) co-ordinating the carrying out of the works including the interface between his own work and the work carried out by the sub-contractors and other third parties;
- (iii) carrying out the construction of and completing the works using materials, goods and workmanship of the types, standards and quality as previously agreed between our Group and main contractor;
- (iv) maintaining a site management and supervisory team on the work sites and visiting the work sites or a place where materials or goods are being manufactured or stored, work is being prepared, or design is being carried out; and
- (v) procuring, inspecting or testing any materials or goods.

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<b>Sub-contracting</b>	<p>The main contractor is permitted to sub-let parts of the works provided that it is consistent with the terms of the main contract and as consented by the architectural firm engaged by our Group.</p> <p>The main contractor will be responsible for entering into contract with the sub-contractors.</p> <p>The selection of the sub-contractors has to be approved and agreed by the architectural firm engaged by our Group.</p>
<b>Insurance</b>	<p>The main contractor shall effect and maintain employees' compensation insurance in compliance with the relevant laws.</p> <p>Subject to negotiation for each project, contractor will be responsible for effecting and maintaining contractors' all risks insurance of the works.</p>
<b>Co-operation with other professional consultants</b>	<p>The main contractor shall comply with all instructions that the architectural firm engaged by our Group is empowered by the contract to issue as soon as practicable.</p>
<b>Raw materials procurement policy</b>	<p>The main contractor must provide all materials and goods of the types, standards and quality to the satisfaction of the architectural firm engaged by us.</p>
<b>The contract sum</b>	<p>The contract sum as stipulated in the main contracts is fixed but can be adjusted in accordance with the contracts and other supplementary contracts.</p>
<b>Terms for renewal and termination</b>	<p>The main contract can be terminated by either notice in 14 days or a continuous suspension of work for 120 days or more.</p>

Supplier E, one of our five largest suppliers during the Track Record Period, being the vendor of the CWK Property, is also one of our tenants of the CWK Property since it wishes to continue to occupy the relevant premises in the CWK Property until it can find suitable premises for relocation. Save as disclosed above, none of the five largest suppliers during the Track Record Period was also a customer of our Group. For the year ended 31 December 2014, the acquisition cost of land from Supplier E amounted to HK\$173 million, representing 40.7% of our cost incurred for the same year. During the Track Record Period, the rental from Supplier E was classified as other income. For the two years ended 31 December 2015, the other income attributable to Supplier E amounted to HK\$180,000 and HK\$1.1 million, respectively, representing 0.03% and 1.3% of the sum of our revenue and other income for the respective years.

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To the best knowledge and belief of our Directors and after making all reasonable enquiries, except for Shun Shing as disclosed above, none of our Directors or their respective close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of the five largest suppliers of our Group during the Track Record Period.

During the Track Record Period, we did not experience any shortage of or delay in the supply of building materials or other relevant services for our development projects. There are abundant suppliers providing services at similar terms and price as Shun Shing, our Directors believe that we would be able to locate a replacement in contingency, and would not cause material interruption to our development projects.

### SALES AND MARKETING

Our head of sales and marketing is responsible for the sale of our properties including the formulation of our marketing and sales strategies, and, with the support of our project staff, the overall sales process, on-site promotion and marketing events. We hold promotional events at our sales centres and invite potential customers to visit sales centre. We also use various local advertising media, including newspapers, property agencies, television advertisements and outdoor advertisements to market our properties. They are also responsible for liaising with the property agents who assist us in promoting our projects and sell our properties to individual purchasers.

We engage in sales and marketing activities in different stages of the sale of properties, including (i) before land acquisition; (ii) before launching property pre-sale; and (iii) throughout and subsequent to the pre-sale period. Before land acquisition and construction of our projects, we collect relevant market data and assist the new project development by conducting feasibility study of the proposed land acquisition; in addition, our head of sales and marketing also participates in product positioning and conceptual designs tailored to the needs of our target customers; before launching pre-sale, our head of sales and marketing team formulates strategies and plans for marketing our properties.

#### Marketing and sales materials

We engage marketing consultant for design and production of marketing and sales materials such as websites and brochures to third party service providers, our head of sales and marketing would provide the idea and contents to the designer and will also review our marketing materials to ensure they comply with the relevant requirements, including the disclosure of land use, usage of the properties, size, and other specification in the format and style as required by the relevant laws and regulations. To ensure our compliance, we appoint external legal counsels for each project who will review the marketing materials, to ensure they comply with the relevant laws and regulations.

#### Pricing

In determining the selling prices of our properties, we take into account various considerations such as the prices of properties with similar quality in surrounding areas, construction costs and investment return. The ASP of our property development project in The Galaxy was HK\$4,753 per sq.ft. and HK\$4,549 per sq.ft. in terms of GFA for the two years ended 31 December 2015 respectively while the estimated ASP of The Star based on the pre-sale results of The Star was HK\$7,674 per sq.ft. in terms of GFA (excluding roof and ground floor). See "Financial Information — Review of Historical

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Results of Operation — Year ended 31 December 2015 compared to year 31 December 2014 — Revenue” and “Financial Information — Review of Historical Results of Operation — Year ended 31 December 2014 compared to year 31 December 2013 — Revenue” in this prospectus for further details.

### **Pre-sale and property agencies**

In line with the general market practice in Hong Kong, we generally commence the pre-sales of our properties prior to completion of construction. We launch pre-sale upon completion of the foundation works. Our pre-sales typically comprise multiple batches in accordance with our marketing strategies and plans.

In preparation of commencing the sales of properties, our head of sales and marketing will propose a preliminary price list based on the property’s features with reference to the market price of similar properties. The price list will be approved by our chief executive officer. Once the price lists are determined, they would be released to licensed property agents in batches in accordance with our sales strategy. Any changes in prices must be approved by our chief executive officer. The price list will be adjusted from time to time depending on the market demand which may change from time to time, and any variation of the actual selling price against the price list needs to be approved by the chief executive officer. Our marketing strategies feature our stylish branding design and our ability to grasp the market sentiments at the time of sales.

A sales centre would be set up in our Group’s office which will be attended by our property agents. Purchase of the properties is on a first come first served basis. Our property agents play a key role in our property sales. Briefing will be provided to these property agents by the head of sales and marketing on sales procedures, major characteristics of the project and other basic property information of the project.

We engage property agencies on project basis for pre-sale and sale of our development projects. Reputable property agencies which possess a wide network are appointed to assist in our property sales. Certain property agencies of smaller scale, may approach us for directly as well. We pay commission on a percentage of sales of properties, as service fees to the thirty party sales agents we engage to assist us in our property sales which is generally in line with market practice. We take into account factors such as past performance and reputation in selecting external property agencies.

During the three years ended 31 December 2015, the total costs and expenses incurred by us with respect to property agencies amounted to nil, HK\$7.7 million and HK\$0.9 million respectively.

As we are engaged in the property development of industrial and commercial properties in Hong Kong, we are not subject to the requirements of the Residential Properties (First-hand Sales) Ordinance. See “Regulatory Overview” in this prospectus for further details in relation to the laws and regulations that materially affect us in our operations.

During the Track Record Period and as of the Latest Practicable Date, all of the property agencies engaged by our Group were Independent Third Parties, and we were in compliance, in all material respects, with the relevant laws and regulations applicable to the pre-sale of properties in Hong Kong.



### AFTER-SALE SERVICES

Our head of sales and marketing team with the support of our project staff, is responsible for after-sales services. We provide comprehensive after-sale services including handling customer complaints and supervising the repair and ongoing maintenance of the property we developed. We also require our contractors to provide us with a defect liability period, which normally lasts for one year upon completion, during which any defects of the property reported by the property manager and customers will be forwarded to the main contractor for follow-up and rectification with no additional costs. We also assisted our customers, through our property manager, in obtaining permits for commencing renovating works in accordance with the deed of mutual covenants.

Our Directors confirm that during the Track Record Period and up to at the Latest Practicable Date, we had not experienced any material disputes with our construction contractors and we were not subject to any material penalty, claim, or direct loss resulting from unsatisfactory work performed by third-party contractors or from construction delays.

### OUR CUSTOMERS

Our customers can be categorised into corporate and individual customers. For the two years ended 31 December 2015, the revenue generated from corporate customers accounted for approximately 66.7% and approximately 21.9% respectively of the total revenue, whilst the remaining was attributable to individual customers.

After selection of the unit of our property development project by our customers, they will be required to execute a legally-binding provisional sale and purchase agreement with our Group and pay for an initial deposit (representing approximately 5% of the purchase price) for the selected unit. Generally, the customer will be required to satisfy the total purchase price by way of a number of instalments with the balance of the consideration payable upon completion of construction and delivery of the unit. If the customer fails to comply with the terms and conditions of the provisional sale and purchase agreement, including the failure to execute the formal sale and purchase agreement, our Group will be entitled to forfeit up to 10% of the purchase price, cancel the provisional sale and purchase agreement and sell the unit to any other party, and claim for costs and damages.

Within two days after the execution of the provisional sale and purchase agreement, our customers will be required to execute a formal sale and purchase agreement with our Group. Pursuant to the formal sale and purchase agreement, in the event that the purchaser fails to comply with its terms and conditions including the obligation to make payments of the further deposits and the balance of the purchase price, our Group will be entitled to forfeit up to 10% of the purchase price, and our Group will be entitled to sell the property to any other party and any claim against the customer for any deficiency in price and all related expenses.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material delays in delivering our properties in accordance with the sale and purchase agreements.

Our top five customers during the Track Record Period were individuals and corporations principally engaged in property holding and all of them were one-off purchasers for the completed units of The Galaxy. None of our five largest customers during the Track Record Period was also a supplier

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of our Group. For the three years ended 31 December 2015, revenue generated from sales to our top five customers in aggregate amounted to nil, approximately HK\$178.8 million and approximately HK\$62.3 million respectively, representing nil, approximately 29.2% and approximately 79.2% of our total revenue, and revenue generated from sales to our largest customer for the respective year amounted to nil, approximately HK\$41.6 million and approximately HK\$40.6 million, respectively, representing nil, approximately 6.8% and approximately 51.6%, respectively, of our total revenue.

Except for Best China Management Limited, our third largest customer for the year ended 31 December 2015 and was only one of our five largest customers for the year ended 31 December 2015 during the Track Record Period, from which we generated revenue of nil, nil and approximately HK\$5.1 million for the three years ended 31 December 2015, respectively, and which is wholly-owned by a family member of an executive Director, thus a connected person of our Company under the Listing Rules, our five largest customers during the Track Record Period were Independent Third Parties and, to the best knowledge and belief of our Directors, none of our Directors or their close associates or any Shareholders (which to the knowledge of our Directors beneficially own more than 5% of our Shares) had any interest in any of the five largest customers of our Group during the Track Record Period. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

### RISK MANAGEMENT AND INTERNAL CONTROL

Our Group has kept an approved list of over 10 contractors, suppliers and/or service providers and will from time to time review the performance, quality of work, experience, qualification, credit-worthiness, price competitiveness and efficiency of our contractors, suppliers and/or service providers and maintain good and long standing relationship with them.

We have implemented internal control policies to provide sufficient guidelines for our management staff and employees to work efficiently. Our internal control policies cover various operating processes from risk assessment, financial reporting, cost management, pricing for property projects to staff recruitment and training and maintenance of IT system control. Our internal control system is generally overseen by our executive Directors.

Some of our executive Directors had certain past disciplinary actions. See “Directors and Senior Management — Other Disclosure Required Under Rule 13.51(2) of the Listing Rules” in this prospectus for details. Having regard to the Stock Exchange's findings and underlying reasons for the breach of the relevant Growth Enterprise Market listing rules by the relevant Directors relating to the Larry Jewelry incident, details of which are set out in “Directors and Senior Management — Other Disclosure Required Under Rule 13.51(2) of the Listing Rules” in this prospectus, which mainly relate to the relevant Directors' failure to consider the application of the relevant listing rules or failure to properly understand the requirements of the relevant listing rules and failure to consult and seek advice from compliance adviser, we have adopted the following enhanced internal control measures to avoid recurrence of similar incidents in the future:

- (a) we have established the Risk Control Committee, which comprises three executive Directors, two non-executive Directors and one independent non-executive Director. The primary responsibilities of the Risk Control Committee include, among others, supervising and

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monitoring the risks and compliance management system of our Company, including the policies, structure and specific responsibilities. The Risk Control Committee is chaired by Mr. Yim Kwok Man, our non-executive Director, who has 19 years of extensive experience in the areas of corporate finance, equity capital markets and mergers and acquisitions advisory in Hong Kong. For members of the Risk Control Committee and their biographies, see “Directors and Senior Management” in this prospectus. For details of the primary responsibilities of the Risk Control Committee, see “Directors and Senior Management — Board Committees — Risk Control Committee” in this prospectus;

- (b) we have appointed Guotai Junan as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules;
- (c) before we propose to enter into transactions to which Chapters 14 and 14A of the Listing Rules apply, we will consult with the Risk Control Committee and compliance adviser (so long as it remains as the compliance adviser of our Company) and/or seek independent legal advice in relation to the compliance with the relevant requirements under the Listing Rules;
- (d) we have appointed Ms. Cheung Wai Shuen as our company secretary, who possesses a degree in Master of Corporate Governance and is responsible for, among others, the internal control related matters of our Group. See “Directors and Senior Management — Executive Directors” in this prospectus for details of her biography;
- (e) we have appointed Mr. Pong Kam Keung as our non-executive Director, who possesses various qualifications and background which are applicable to our Group’s business operations. For instance, he possesses a degree in Bachelor of Laws, a degree in Bachelor of Science in Building Surveying and a degree in Master of Corporate Governance. In addition, he is a fellow of the Hong Kong Institute of Facility Management, the Hong Kong Institute of Surveyors, the Chartered Institute of Arbitrators, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Chartered Secretaries and a member of the Royal Town Planning Institute. He is also registered as a chartered building engineer by the Chartered Association of Building Engineers. See “Directors and Senior Management — Non-executive Directors” in this prospectus for details of his biography. Our Directors believe that we will be able to draw on his expertise and experience with respect to corporate governance measures and compliance with legal and industry-specific requirements applicable to our Group;
- (f) we have appointed Ms. Chan Wah Man Carman as our independent non-executive Director, who has been a responsible officer licensed to conduct, among other regulated activities, type 6 regulated activity (advising on corporate finance) since November 2011. See “Directors and Senior Management — Independent non-executive Directors” in this prospectus for details of her biography. Our Directors believe that with her experience in the area of corporate finance, Ms. Chan Wah Man Carman can provide us advice and guidance in respect of corporate finance and Listing Rules compliance related matters; and
- (g) our Directors and senior management attended training session on applicable laws and regulations, including the Listing Rules, covering areas such as continuing obligation of a listed company’s directors, liability of directors, corporate governance, non-competitive continuing connected transactions, provided by our legal adviser prior to Listing. In this

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connection, Mr. Joe Chan and Mr. Jack Lam had duly fulfilled the pre-requisite of any future appointment as a director of any listed company by attending training sessions with The Hong Kong Institute of Directors as directed by the Stock Exchange see “Directors and Senior Management” for details of the said pre-requisite. We will continue to arrange trainings on applicable laws and regulations to be provided by our legal adviser and/or any appropriate accredited institution from time to time to update the knowledge of our Directors, senior management and relevant employees on the relevant laws and regulations, including the Listing Rules.

We have engaged Baker Tilly Hong Kong Risk Assurance Limited (“**Baker Tilly**”) to conduct internal control review and assurance review on the adequacy and effectiveness of our Group’s internal control system, including the areas of financial, operation, compliance and risk management. The scope of compliance review included our regulatory compliance control mechanism (namely Chapters 13, 14 and 14A of and Appendices 10, 14 and 16 to the Listing Rules, and Part XIVA of the SFO). Baker Tilly is of the view that the current internal control system of our Group has been adequately and effectively implemented to prevent the recurrence of similar incidents.

### **HEALTH, WORK SAFETY**

We are subject to the health and safety requirements of Hong Kong including, but not limited to, the Occupational Health and Safety Ordinance and the Factories and Industrial Undertakings Ordinance. We have internal policies and systems in place designed with a view to ensuring compliance with such requirements. We believe that we are, and have been, in substantial compliance with such requirements from the beginning of the Track Record Period up to the Latest Practicable Date. Our liability to our employees is covered by insurance, which we are required by law to take out. We do not have an insurable interest in relation to the employees of our contractors. Our contractors are required by law to take out insurance which covers their liabilities to their employees. Our Directors further confirmed that there was no material violation of currently applicable safety regulations nor were there any material employee safety issues involving our Group. During the Track Record Period and up to at the Latest Practicable Date, no fines or penalties for non-compliance of safety laws and regulations were imposed on us.

### **ENVIRONMENTAL MATTERS**

We understand our impact on people and the environment and that we incorporate social, economic and environmental risks and benefits into our business decision-making and into the inception, design, construction, occupation, demolition and revitalisation phases of our development projects.

Environmental regulations to which we are subject include those relating to radiation, waste, water, noise and food safety and to the preparation of environmental impact assessments. We believe that all our properties comply in all material respects with applicable environmental laws and regulations, including those related to waste disposal, water pollution control, air pollution control and noise control. Pursuant to the construction contract entered into with our main contractor, the related environmental compliance costs in relation to construction works carried out for property development are to be borne by our main contractor.

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### INTELLECTUAL PROPERTY

We conduct our business under the “Star Properties” trademark for which we have applied for registration. We are also the registered owner of certain domain names. See “Statutory and General Information — B. Further Information About Our Business — 2. Material intellectual property rights” in Appendix V to this prospectus for further details of our intellectual property rights.

During the Track Record Period, we were not involved in any material dispute or infringement of intellectual property rights. As at the Latest Practicable Date, we were not aware of any material infringement (i) by our Group of any intellectual property rights owned by any third parties, or (ii) by any third party of any intellectual property rights owned by us, that would constitute material adverse impact on our operations.

### INFORMATION TECHNOLOGY

Our information technology officer is responsible for maintaining information technology systems to support property development and sales, leasing and facility management. It also provides information technology and technical support and consults on technical service requirements for new property developments and building service enhancements.

### INSURANCE

All of our properties, completed and under construction, are in general insured in line with industry practice in Hong Kong. In addition to statutory required insurances, our Company purchase other insurances, where considered necessary, to cover the major risks identified by our Company. The principal insurances in place for completed properties include property all-risks insurance. The principal insurances in place for our properties under development are contractors all-risks insurance and employee compensation insurance for their staff and labours which costs are to borne by the contractors pursuant to construction contracts entered into with us. Our Company purchases insurance for its completed properties from a number of insurers through an insurance broker. Proposals of our insurance broker, the insured scope and sum are reviewed annually by an insurance task force consisting of the senior management of our Group. All our insurances are competitively bid for and our insurance broker helps identify our needs, creates specifications and evaluates bids to determine which insurance packages provide the best coverage and price.

### OUR PROPERTIES

#### Owned properties

As at the Latest Practicable Date, we owned six unsold units of The Galaxy, 30 parking spaces of The Galaxy (10 of which have been contracted for sale but not yet completed), The Star which is under construction, the CWK Property and the Yue Fung Property. See “Property Portfolio” in this section for details.

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## BUSINESS

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### Properties rented and occupied by our Group

Our headquarters is located at Unit 602B, 6th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, which is leased by Sunny Generation Limited, an associate of Mr. Joe Chan, to us. See “Connected Transaction — Exempt Continuing Connected Transaction” in this prospectus for details.

As at the Latest Practicable Date, we also leased from Independent Third Parties two workshop units of The Galaxy as industrial undertakings, namely the centres for handling the defects rectification for handover of the workshop units of The Galaxy to the purchasers.

### LICENCES AND PERMITS

As at the Latest Practicable Date, we obtained all requisite licenses, approvals and permits for all our development projects.

### EMPLOYEES

As at the Latest Practicable Date, our Group had 11 employees. All our staff are full time employees and located in Hong Kong. The table below sets out the number of our staff by functional role as at the Latest Practicable Date:

#### Functions

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Property development and management	6
Sales and marketing . . . . .	1
Finance, human resources, company secretary and compliance . . . . .	3
Administration and information technology . . . . .	<u>1</u>
<b>Total</b> . . . . .	<u><u>11</u></u>

To help nurture professional talents and to promote overall efficiency, increase the morale and loyalty of the employees, we provide both on-the-job and external training which include staff orientation, training on information technology, anti-corruption and first-aid together with professional membership reimbursements, etc. We also provided training and assisted our relevant employees in completing the mandatory basic safety training courses (“green card”). We offer competitive remuneration packages to our employees, with discretionary bonuses issued based on individual performance and our business performance. We also provide medical insurance coverage for our employees, and during the Track Record Period, we complied with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and other labour related laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we have not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our Group’s employees.

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## BUSINESS

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We intend to use our best effort to recruit and retain appropriate and suitable personnel to serve our Group. We will assess our human resources periodically and will determine whether additional manpower is required to cope with our business development.

### LEGAL COMPLIANCE

Save as disclosed below, we were in compliance in all material respects with the relevant laws and regulations of Hong Kong during the Track Record Period and up to the Latest Practicable Date.

#### **Systemic non-compliance with the Predecessor Companies Ordinance and the Companies Ordinance**

Some of our subsidiaries incorporated in Hong Kong failed to lay the audited accounts before the respective general meetings within nine months from the ending date of the accounting reference period pursuant to section 122 of the Predecessor Companies Ordinance and/or section 429 of the Companies Ordinance. The table below sets out our subsidiaries involved in and the relevant periods of such non-compliance.

<b>Name of the relevant subsidiaries of our Company</b>	<b>Period(s) involved</b>
Bright Port	2012–2014
Star Properties (HK)	2014
Star Property Management	2014
Fountain Inc	2014

As confirmed by our Directors, the above non-compliances were unintentional and due to oversight of the administrative staff responsible for supervision on secretarial matters. During the relevant periods, the above subsidiaries had been relying on their then external accountants for the preparation of their respective financial statements, who had failed to prepare the relevant financial statements in time.

As at the Latest Practicable Date, the above subsidiaries had prepared the audited accounts for all relevant periods and had them passed and approved at subsequent general meetings.

In relation to the above non-compliances, the potential maximum penalty or fine is that the director(s) of the relevant subsidiaries shall be liable to a potential maximum fine of HK\$300,000 and imprisonment for 12 months. Our Company has been advised that the chance of prosecution is not particularly high since (i) even though some financial statements were issued late and were not presented in the annual general meetings of the corresponding years, eventually they have been laid in other annual general meetings; and (ii) the director(s) and the shareholder(s) of the relevant subsidiary have all along been the same persons, so all shareholders were fully aware of the financial affairs of the relevant subsidiaries. Even in the highly unlikely event of conviction, the likelihood of the imposition of a maximum sentence would be extremely remote and the likely sentences would only be fines which are much lower than the maximum fines. Since the non-compliance was not wilful, it would be highly unlikely that custodial sentences would be imposed on any director of the above subsidiaries.

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## BUSINESS

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### **Enhanced internal control procedures**

To avoid recurrence of similar non-compliance in the future, we have taken additional measures to improve our corporate governance and internal control to ensure full compliance with applicable laws and regulations. Our Directors will ensure our subsidiaries incorporated in Hong Kong will comply with the relevant regulatory requirements by designating our company secretary to (a) monitor the regulatory requirements in respect of these subsidiaries; (b) work closely with the external professional advisers engaged by our Group; (c) keep abreast of the relevant regulatory requirements; and (d) continue to attend trainings on the relevant laws and regulations. In addition, our Controlling Shareholders will enter into a deed of indemnity with and in favour of our Group to provide indemnities in respect of monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by us in connection with the above-mentioned non-compliance occurred on or before the Listing Date.

### **Views of our Directors and the Sole Sponsor**

Based on the above, our Directors are of the view that the non-compliance incidents disclosed above were inadvertent oversight and did not involve any element of fraud or dishonesty and we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations and that such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial conditions and results of operations. Further, in light of the following:

- (i) with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance;
- (ii) since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been involved in any breach of applicable rules and regulations other than the non-compliance incidents as disclosed above; and
- (iii) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations,

our Directors are of the view, and the Sole Sponsor concurs, that our Company has taken reasonable steps to establish internal control system and procedures to enhance the control environment at both working and monitoring levels, and the enhanced internal control measures adopted by our Group are adequate and effective.

### **LEGAL PROCEEDINGS**

We are involved in legal proceedings from time to time arising in the ordinary course of business, which include dispute with purchaser in relation to the delivery of the property. As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, results of operations or financial condition.



## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets out certain information regarding the current members of our Board and senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment as a Director</u>	<u>Time of joining our Group</u>	<u>Roles and responsibilities</u>	<u>Relationship with our Directors and senior management</u>
Chan Man Fai Joe (陳文輝)	57	Our chairman, executive Director, chief executive officer, chairman of the Nomination Committee and a member of the Remuneration Committee and the Risk Control Committee	4 March 2016 (re-designated as executive Director on 14 March 2016)	November 2010	Responsible for overall management, strategic planning, business strategies and corporate development of our Group	None
Lam Kin Kok (林建國)	52	Executive Director, head of project development department and a member of the Risk Control Committee	4 March 2016 (re-designated as executive Director on 14 March 2016)	February 2013	Responsible for overseeing all property development projects of our Group	None
Cheung Wai Shuen (張慧璇)	41	Executive Director, company secretary of our Group and a member of the Risk Control Committee	4 March 2016 (re-designated as executive Director on 14 March 2016)	November 2010	Responsible for the financial management, company secretarial matters, internal control related matters and administration of our Group	None
Liu Hon Wai (廖漢威)	49	Executive Director and head of sales and marketing	4 March 2016 (re-designated as executive Director on 14 March 2016)	September 2015	Responsible for the marketing and sales management of our Group	None
Pong Kam Keung (龐錦強)	54	Non-executive Director and a member of the Risk Control Committee	4 March 2016 (re-designated as non-executive Director on 14 March 2016)	March 2016	Acting as a member of the Risk Control Committee focusing on compliance related matters	None
Yim Kwok Man (嚴國文)	47	Non-executive Director and chairman of the Risk Control Committee	4 March 2016 (re-designated as non-executive Director on 14 March 2016)	March 2016	Acting as the chairman of the Risk Control Committee focusing on compliance related matters	None

## DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment as a Director</u>	<u>Time of joining our Group</u>	<u>Roles and responsibilities</u>	<u>Relationship with our Directors and senior management</u>
Shiu Siu Tao (蕭少滔)	52	Independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee	27 June 2016	27 June 2016	Giving independent advice to the Board	None
Lee Chung Ming Eric (李仲明)	51	Independent non-executive Director and a member of the Audit Committee, Nomination Committee and Risk Control Committee	27 June 2016	27 June 2016	Giving independent advice to the Board	None
Chan Wah Man Carman (陳華敏)	47	Independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee	27 June 2016	27 June 2016	Giving independent advice to the Board	None

Our senior management consists of our executive Directors and employees listed in the following table:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment as a member of the senior management</u>	<u>Time of joining our Group</u>	<u>Roles and responsibilities</u>	<u>Relationship with our Directors and senior management</u>
Lee Lap Yan Philip (李立人)	45	Director of project development	October 2014	October 2014	Responsible for overall design, project management, project overall planning, implementation of policies and procedures, design quality control and leading and managing the consultants	None
Kan Chi Chung (簡志聰)	41	Director of project development	October 2014	October 2014	Responsible for overall construction, project management, project overall planning, implementation of policies and procedures, design quality control, monitoring the progress of the development projects, coordinating with the consultants and contractors and handling all other project related activities of our Group	None
Hui Ying Ying (許瑩瑩)	33	Director of legal and compliance	January 2016	January 2016	Responsible for company secretarial matters	None

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## DIRECTORS AND SENIOR MANAGEMENT

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### EXECUTIVE DIRECTORS

**Mr. Chan Man Fai Joe (陳文輝)**, aged 57, was appointed as our Director on 4 March 2016 and was re-designated as our executive Director on 14 March 2016. Mr. Chan founded our Group in November 2010 and is chairman, chief executive officer and one of our Controlling Shareholders. Mr. Chan is also the chairman of the Nomination Committee and a member of the Remuneration Committee and the Risk Control Committee focusing on business risk. Further, Mr. Chan is the sole director of Star Properties Group (BVI), Star Properties (BVI), Star Property Management (BVI), Bright Port (BVI), New Moon, Inventive Rainbow, Celestial Design, Star Properties (HK), Star Property Management, Bright Port, Spring Moon and a director of Diamond Vantage, Fountain Inc and Rainbow Red, respectively. Mr. Chan is primarily responsible for the overall management, strategic planning, business strategies and corporate development of our Group.

Mr. Chan has over five years of property development experience and over 30 years of advisory and trading experience at leading financial institutions and has extensive experience in the property market. Over the course of his career at multinational financial institutions, Mr. Chan worked on different markets and instruments and was involved in many significant financing transactions. Mr. Chan founded Galaxy Asset Management (HK) in February 1998 and through the asset management and regulated activities business, Mr. Chan has gained experience in managing and investing in a diversity of investment portfolios including equity, fixed income, currency and commodity.

Mr. Chan worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity/group</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
1982 to 1987	Bankers Trust Company Hong Kong and Bankers Trust Company New York	Providing banking services	Foreign exchange trader in Hong Kong and was later relocated to New York as a trader, responsible for trading fixed income and money market instruments
1988 to 1995	Morgan Stanley UK Group	Providing multinational financial services	Fixed income trader and managing director, responsible for trading in the fixed income division
1995 to 1996	Morgan Stanley Asia Limited	Providing financial services	Managing director, responsible for trading and risk management in equity division
1996 to 1997	First Centre (H.K.) Limited	Financial advisory and consultancy	Director, responsible for strategic planning
Since February 1998	Galaxy Asset Management (HK)	A licensed corporation under the SFO to carry out type 4 (advising on securities), type 5 (advising on future contracts) and type 9 (asset management) regulated activities as defined in the SFO	Managing director and responsible officer, responsible for asset management, strategic planning and corporate development of the company

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Chan plays an instrumental role in defining our investment strategies and capital and strategic development. His years of experience in securities and financial sectors as well as the property market have enabled him to develop insights in the macro economic environment and the market trend which may help our Group identify themes and opportunities in the marketplace. Mr. Chan has undertaken to devote sufficient time and attention to the overall management, strategic planning and corporate development of our Group.

Mr. Chan received his degree of Bachelor of Social Sciences from The University of Hong Kong in November 1982 and his degree in Master of Business Administration from The Wharton School, University of Pennsylvania, U.S. in May 1987.

**Mr. Lam Kin Kok (林建國)**, aged 52, was appointed as our Director on 4 March 2016 and was re-designated as our executive Director on 14 March 2016. Mr. Lam is also a member of the Risk Control Committee focusing on industry risk. Mr. Lam is the head of project development department and is primarily responsible for overseeing all property development projects of our Group. In February 2013, Mr. Lam joined us as an investor of Fountain Inc, one of our wholly-owned subsidiaries, and has been acting as Fountain Inc's director since May 2013 to oversee the project development of The Star. Since January 2014, Mr. Jack Lam has been a director of Rainbow Red, one of our wholly-owned subsidiaries, to oversee the project development of the CWK Property and since October 2014, Mr. Lam has been a managing director of Star Properties (HK).

Mr. Lam has around 25 years of property development and project management experience. Mr. Lam also worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity/group</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
October 1990 to November 1992	Leigh & Orange Limited	Architectural practice	Architect, responsible for providing architectural services
December 1992 to July 1994	Anthony Ng Architects Ltd.	Architectural practice	Project architect, responsible for providing architectural services
December 1995 to June 2002	MTR Corporation Limited	Railway operator and property developer	Senior architect, responsible for the definition and design for the Airport Railway and Tseung Kwan O extension projects as well as a number of smaller railway extensions and modifications
September 2002 to January 2005	ISG Asia (Hong Kong) Limited	Providing construction services	Architect, responsible for the final phase of the Architectural Services Department's school improvement programme

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## DIRECTORS AND SENIOR MANAGEMENT

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<u>Period of services</u>	<u>Name of entity/group</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
September 2005 to August 2007	Hang Lung Properties Ltd.	Property developer	Manager of project development (China) department and deputy general manager (in Tianjin office), responsible for overseeing the general operations of the Tianjin office and the management of the development project of Tianjin Hang Lung Plaza
August 2007 to July 2008	Shui On Development Limited	Property developer	General manager, responsible for overseeing development projects
August 2008 to November 2009	Treasury Holdings China Limited	Property developer	Development director, responsible for development projects

Mr. Lam has been a member of Hong Kong Institute of Architects and a registered architect under Architects Registration Board in Hong Kong and has held a corporate membership of the Royal Institute of British Architects since December 1992, July 1993 and October 1996, respectively. Mr. Lam graduated with a degree in Bachelor of Arts in Architectural Studies in November 1988 and subsequently with a Bachelor of Architecture from The University of Hong Kong in December 1990. Mr. Lam also obtained a Master of Science degree in Architecture from University College London, United Kingdom in November 1997.

**Ms. Cheung Wai Shuen (張慧璇)**, aged 41, was appointed as our Director on 4 March 2016 and was re-designated as our executive Director and appointed as the company secretary of our Company on 14 March 2016. Ms. Cheung is also a member of the Risk Control Committee focusing on business risk. Ms. Cheung is primarily responsible for the financial management, company secretarial matters, internal control related matters and administration of our Group. Since November 2010, Ms. Cheung had been the company secretary of members of our Group. Since October 2014, Ms. Cheung has been the finance and corporate planning managing director of Star Properties (HK). Since April 2016, Ms. Cheung has been a director of each of Fountain Inc and Rainbow Red.

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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Cheung has over 16 years of financial and regulated activities experience. She also has over five years of experience in the property development industry. Ms. Cheung worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity/group</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
November 1999 to December 2003	Hunlicar Securities Ltd.	Providing financial services	Assistant accountant, responsible for, among others, daily settlement and preparing monthly report to SFC
December 2003 to December 2015	Galaxy Asset Management (HK) (an associate of Mr. Joe Chan)	A licensed corporation under the SFO to carry out type 4 (advising on securities), type 5 (advising on future contracts) and type 9 (asset management) regulated activities as defined in the SFO	Finance and account manager and responsible officer for type 4 (advising on securities), type 5 (advising on future contracts) and type 9 (asset management) regulated activities as defined in the SFO

Ms. Cheung was elected as an associate of The Institute of Chartered Secretaries and Administrators and admitted associate of The Hong Kong Institute of Chartered Secretaries both in January 2014. Ms. Cheung graduated with a degree in Bachelor of Business Administration (Honours) in Finance from Hong Kong Baptist University in December 1998 and obtained the degree in Master of Corporate Governance, from Hong Kong Polytechnic University in October 2013.

**Mr. Liu Hon Wai** (廖漢威), aged 49, was appointed as our Director on 4 March 2016 and was re-designated as our executive Director on 14 March 2016. Mr. Liu is the head of sales and marketing and is primarily responsible for the marketing and sales management of our Group. Since September 2015, Mr. Liu has been a managing director of Star Properties (HK). He has over three years of experience in the property development industry.

Mr. Liu has over 21 years of experience in the property market. He joined Centaline Property Agency Limited, a property agency company in 1991 as a property negotiator, and has since then been promoted to various positions, including supervisor of the Mid-Levels branch from March 1994 to April 1997, assistant district sales manager from April 1997 to December 1999, regional sales manager in the year of 2000 and senior regional sales manager of the Mid-Levels from January 2001 to May 2002. Mr. Liu left Centaline Property Agency Limited in May 2002. During his employment with Centaline Property Agency Limited, Mr. Liu also gained experience in sales and marketing of properties. Mr. Liu was consecutively awarded with Ten Million Supervisor in Centaline Property Agency Limited from 1995 to 1999 and Ten Million Manager in 2000. He was also a lion member and golden lion member of the Centaline Eagle Club from 1995 to 2000. Mr. Liu then worked as a wealth manager at Hong Kong Wealth Management Ltd., a wealth management company, from June 2002 to February 2003 and a financial planning manager at The Hongkong and Shanghai Banking Corporation Limited from February 2003 to March 2005. From March 2005 to January 2013, Mr. Liu returned to Centaline Property Agency Limited as a senior sales supervisor. Mr. Liu was a managing director of GREIM, an associate of Mr. Joe Chan, from January 2013 to August 2015.

Mr. Liu passed the qualifying examination for estate agents under the Estate Agents Authority of Hong Kong in April 1999. Mr. Liu graduated with a Bachelor of Social Work degree from The University of Hong Kong in December 1989.

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## DIRECTORS AND SENIOR MANAGEMENT

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### NON-EXECUTIVE DIRECTORS

**Mr. Pong Kam Keung** (龐錦強), aged 54, was appointed as our Director on 4 March 2016 and was re-designated as our non-executive Director on 14 March 2016. Mr. Pong is also a member of the Risk Control Committee focusing on compliance related matters.

Mr. Pong is currently an executive director of Sundart Holdings Limited (stock code: 1568), a company listed on the Main Board of the Stock Exchange and an integrated fitting-out contractors in Hong Kong and Macau. Prior to that, Mr. Pong was the chief prosecution officer of Environmental Protection Department of the Hong Kong Government from July 2004 to July 2013. He was a member of the Appeal Tribunal Panel of the Housing, Planning and Lands Bureau of the Hong Kong Government from February 2007 to November 2012 and was a member of the advisory committee on Barrier Free Access of the Buildings Department. Mr. Pong served as a director of education and membership of the Hong Kong Institute of Facility Management from October 2008 to October 2009.

Mr. Pong obtained a degree in Bachelor of Science in Building Surveying from the Thames Polytechnic, United Kingdom in June 1989, a degree in Master of Science in Property Investment from the City University of London, United Kingdom in December 1993, a degree in Bachelor of Laws, from the University of Wolverhampton, United Kingdom in September 1995, a degree in Master of Science in Urban Planning, from The University of Hong Kong in December 2005 and a degree in Master of Corporate Governance, from the Hong Kong Polytechnic University in October 2008.

Mr. Pong has been a fellow of the Hong Kong Institute of Facility Management, the Hong Kong Institute of Surveyors, the Chartered Institute of Arbitrators, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Chartered Secretaries and a member of the Royal Town Planning Institute since July 2000, November 2000, January 2001, January 2006, October 2012 and January 2007, respectively. Mr. Pong is registered as a chartered building engineer by the Chartered Association of Building Engineers in February 2014.

**Mr. Yim Kwok Man** (嚴國文), aged 47, was appointed as our Director on 4 March 2016 and was re-designated as our non-executive Director on 14 March 2016. Mr. Yim is also the chairman of the Risk Control Committee focusing on compliance related matters.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Yim has over 19 years of extensive experience in the areas of corporate finance, equity capital markets and mergers and acquisitions advisory in Hong Kong. Mr. Yim worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity/group</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
December 1994 to January 2000	The Dai-Ichi Kangyo Bank, Ltd	Providing banking services	Assistant manager, responsible for financial analysis and providing assistance to senior manager
December 2000 to September 2005	CITIC Capital Markets Holdings Limited	Providing financial services	Senior manager, responsible for providing investment banking services
September 2005 to May 2006	DBS Asia Capital Limited	Providing financial services	Assistant vice president in equity capital market responsible for providing equity capital market services
June 2006 to July 2009	Rabobank International Hong Kong Branch	Providing financial services	Associate director, responsible for providing the mergers and acquisitions and corporate advisory services
September 2009 to August 2014	Odysseus Capital Asia Limited	Providing financial services	Director, responsible for providing corporate finance services
August 2009 to September 2011 and since July 2015	Galaxy Asset Management (HK) (an associate of Mr. Joe Chan)	A licensed corporation under the SFO to carry out type 4 (advising on securities), type 5 (advising on future contracts) and type 9 (asset management) regulated activities as defined in the SFO	Representative for type 4 (advising on securities), type 5 (advising on future contracts) and type 9 (asset management) regulated activities as defined in the SFO

Mr. Yim has been a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Society of Accountants since November 1998 and January 2002, respectively. Mr. Yim is currently a registered representative of type 4 activities (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities with the SFC.

Mr. Yim graduated from Hong Kong Polytechnic University with a Bachelor of Engineering degree in Civil Engineering in November 1991. He attended an international MBA exchange program at John E Anderson Graduate School of Management, University of California, Los Angeles (UCLA), USA in 1993 and obtained a degree in Master of Business Administration (MBA) from the Chinese University of Hong Kong in September 1994.

Mr. Yim has become an independent non-executive director of Tsui Wah Holdings Limited (stock code: 1314), a company listed on the Main Board of the Stock Exchange since November 2012. Mr. Yim was also a non-executive director of Larry Jewelry (stock code: 8351) (as defined hereinafter) from December 2010 to August 2011.



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## DIRECTORS AND SENIOR MANAGEMENT

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### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Shiu Siu Tao (蕭少滔)**, aged 52, has been appointed as an independent non-executive Director since 27 June 2016. Mr. Shiu is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Mr. Shiu has more than 12 years of experience in corporate finance. Mr. Shiu worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity/group</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
December 2003 to February 2008	The group comprising Yuexiu REIT Asset Management Co. Ltd. (formerly known as GZI REIT Asset Management Co. Ltd) and Yue Xiu Securities Company Limited	A group with diverse business including real estate, transport infrastructure, finance and securities businesses	Head of investor relations for Yuexiu REIT Asset Management Co. Ltd. (formerly known as GZI REIT Asset Management Co. Ltd), responsible for overseeing investor relations  Responsible officer of Yue Xiu Securities Company Limited for type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
June 2009 to July 2011	China Merchants Securities (HK) Co. Ltd.	Securities and corporate finance advisory	Responsible officer for type 1 (dealing in securities) regulated activities as defined in the SFO
August 2011 to July 2014	DBS Asia Capital Limited	Providing corporate finance and securities services	Responsible officer for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) regulated activities as defined in the SFO
Since February 2016	First Capital International Finance Limited	Business advisory	Director

Mr. Shiu graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration degree in December 1990. He obtained a diploma certificate from the HEC Paris School of Management (Ecole des Hautes Etudes Commerciales) in Paris, France in July 1992.

**Mr. Lee Chung Ming Eric (李仲明)**, aged 51, has been appointed as an independent non-executive Director since 27 June 2016. Mr. Lee is a member of the Audit Committee, Nomination Committee and Risk Control Committee focusing on industry risk.

Mr. Lee has professional experience in the architectural industry. Mr. Lee has been a director of LWK Partners (HK) Ltd., an architectural firm, since September 2010.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Lee graduated from The University of Hong Kong with a degree in Bachelor of Arts (Architectural Studies) in November 1988, and subsequently with a Bachelor of Architecture degree in November 1991. Mr. Lee also obtained a degree in Master of Science (Conservation) from the University of Hong Kong in December 2005. He has been a member of the Hong Kong Institute of Architects since December 1992 and a registered architect in the Architects Registration Board in Hong Kong since July 1993. He is also qualified as an authorised person (list of architects) by the Buildings Department.

**Ms. Chan Wah Man Carman (陳華敏)**, aged 47, has been appointed as an independent non-executive Director since 27 June 2016. Ms. Chan is the chairman of the Audit Committee and a member of the Remuneration Committee.

Ms. Chan possesses over 20 years of experience in private equity, corporate finance and financial advisory. From March 1996 to February 1998, Ms. Chan began her career in the corporate finance in Seapower Corporate Financial Limited. She then worked as an associate director in Baring Capital Partners, ING Group between March 1998 and August 2001 and in private equity investments, corporate advisory and fund monitoring at Suez Asia (HK) Limited, from January 2002 to December 2003. From January 2004 to January 2008, she assisted various companies in the preparation of initial public offerings. Ms. Chan worked as a vice president overseeing investment public relation of Global Cosmetics (HK) Company Limited, from May 2007 to January 2008. From February 2008 to April 2009, Ms. Chan worked as an associate director in Rabobank International, Hong Kong Branch. She joined Wallbanck Brothers Securities (Hong Kong) Limited, a company providing corporate finance advisory services, in August 2009 and is currently the head of private equity department of Wallbanck Brothers Securities (Hong Kong) Limited.

Ms. Chan obtained a degree in Bachelor of Science from Minnesota State University, Bemidji, U.S. in August 1993, and a Master of Accounting degree from Curtin University of Technology, Australia through long distance learning in February 2000. Ms. Chan has been a member of Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia since July 2005 and April 2005, respectively. Since November 2011, she has been a responsible officer licensed to conduct type 6 (advising on corporate finance) regulated activity and a representative licensed to conduct type 9 (asset management) regulated activity under the SFO.

Ms. Chan has been an independent non-executive director of Fuguiniao Co., Ltd (stock code: 1819), a company listed on the Main Board of the Stock Exchange, since June 2014. Ms. Chan was previously appointed as an independent non-executive director of each of Man Wah Holdings Limited (stock code: 1999) from March 2010 to July 2012 and Daqing Dairy Holdings Limited (stock code: 1007) from October 2010 to June 2012, respectively.

## DIRECTORS AND SENIOR MANAGEMENT

### OTHER DISCLOSURE REQUIRED UNDER RULE 13.51(2) OF THE LISTING RULES

Mr. Joe Chan, Mr. Jack Lam, Mr. Liu Hon Wai, Mr. Pong Kam Keung and Mr. Shiu Siu Tao were also the directors of the following companies which were incorporated in Hong Kong and were struck off and/or dissolved under section 291 and/or section 291AA of the Predecessor Companies Ordinance. The relevant details are as follows:

<u>Name of Director</u>	<u>Company name</u>	<u>Nature of business</u>	<u>Means of dissolution</u>	<u>Date of dissolution</u>
Mr. Joe Chan . . . . .	Best Generation Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	25 April 2003
	Crystal Treasure International Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	9 May 2003
	Eastern Era Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	25 April 2003
	Ex123 Limited	Inactive	Deregistration under section 291AA of the Predecessor Companies Ordinance	20 September 2002
	Galaxy Real Estate Investment (HK) Limited	Real estate investment in the PRC	Deregistration under section 291AA of the Predecessor Companies Ordinance	12 July 2013
	Galaxy Real Estate Services (HK) Limited	Real estate services in the PRC	Deregistration under section 291AA of the Predecessor Companies Ordinance	16 August 2013
	Golden Era Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	25 April 2003
	Hong Kong Sky Limited	Inactive	Deregistration under section 291AA of the Predecessor Companies Ordinance	8 January 2010
	Key Foundation Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	25 April 2003
	Key Glory Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	25 April 2003
	One More Time Limited	Inactive	Deregistration under section 291AA of the Predecessor Companies Ordinance	4 April 2003
	Premier City Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	25 April 2003
	Sea Wave Consultancy (H.K.) Limited	Consultancy services	Deregistration under section 291AA of the Predecessor Companies Ordinance	22 September 2000
	Sea Wave Finance (H.K.) Limited	Financing services	Deregistration under section 291AA of the Predecessor Companies Ordinance	30 June 2005
	Sea Wave Investment Limited	Securities dealing	Deregistration under section 291AA of the Predecessor Companies Ordinance	25 November 2005
	Sea Wave Investment Management (H.K.) Limited	Consultancy and management services	Deregistration under section 291AA of the Predecessor Companies Ordinance	22 September 2000
	Somerville Limited	Inactive	Deregistration under section 291AA of the Predecessor Companies Ordinance	5 August 2005
	South System Investment Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	21 February 2003
	Starlight Express Company Limited	Property holding	Deregistration under section 291AA of the Predecessor Companies Ordinance	4 April 2003
	Vogue Village Limited	Inactive	Deregistration under section 291AA of the Predecessor Companies Ordinance	4 April 2003
Wealth Score Limited	Property holding	Striking off under section 291 of the Predecessor Companies Ordinance	25 April 2003	

## DIRECTORS AND SENIOR MANAGEMENT

<u>Name of Director</u>	<u>Company name</u>	<u>Nature of business</u>	<u>Means of dissolution</u>	<u>Date of dissolution</u>
Mr. Jack Lam . . . . .	Smartmake Investments Limited	Fabric trading	Deregistration under section 291AA of the Predecessor Companies Ordinance	23 February 2007
	Tek Fu (Silk) Company Limited	Silk trading	Deregistration under section 291AA of the Predecessor Companies Ordinance	3 November 2006
Mr. Liu Hon Wai . . . . .	Noble Nice Limited	Holding taxi license	Deregistration under section 291AA of the Predecessor Companies Ordinance	19 June 2015
	Potech Development Limited	Property holding	Deregistration under section 291AA of the Predecessor Companies Ordinance	8 August 2008
	Smart Victor Development Limited	Property holding	Deregistration under section 291AA of the Predecessor Companies Ordinance	15 September 2006
	Smart Winning International Limited	Property holding	Deregistration under section 291AA of the Predecessor Companies Ordinance	24 December 2009
Mr. Pong Kam Keung	Master Bright International Limited	Inactive	Deregistration under section 291AA of the Predecessor Companies Ordinance	30 December 2005
	New China Investment Limited	Inactive	Deregistration under section 291AA of the Predecessor Companies Ordinance	30 December 2005
Mr. Shiu Siu Tao . . . . .	ID Innovation Limited	Technology venture	Creditors' voluntary winding up	1 March 2007

Mr. Joe Chan was also the director of Future Sky Investments Limited which was incorporated in the BVI and was dissolved on 1 November 2015 and struck off from the BVI Government Registrar as a result of non-payment of the BVI annual fee. The said company was inactive at the time of it being struck off.

Each of Mr. Joe Chan, Mr. Jack Lam, Mr. Liu Hon Wai, Mr. Pong Kam Keung and Mr. Shiu Siu Tao confirmed that the dissolution of the above-mentioned companies in which he was a director had not resulted in any liability or obligation imposed against him and save for ID Innovation Limited, the relevant companies were solvent at the time of dissolution and/or deregistration.

In December 2001, Galaxy Asset Management (HK) was reprimanded by the SFC for misconduct and Mr. Chan's registrations as a dealer and an investment adviser under the then Securities Ordinance (Chapter 333 of the Laws of Hong Kong) (repealed), and a commodity trading adviser under the then Commodities Trading Ordinance (Chapter 250 of the Laws of Hong Kong) (repealed), were suspended for a period of one month.

The actions were taken following inquiries which revealed that Galaxy Asset Management (HK) had (i) breached the requirement of section 6(1) of the Financial Resources Rules in failing to maintain the required level of liquid capital during the period from December 1998 to June 1999; (ii) breached a condition imposed on its registration during the period from November 1998 to August 2000 in providing investment advice to an associated company; and (iii) failed to implement proper internal control and compliance system. With regard to Mr. Joe Chan, the SFC found that he had (i) as the sole supervisory director of Galaxy Asset Management (HK) during the relevant time, failed to discharge his functions properly in managing and supervising Galaxy Asset Management (HK)'s operations; and (ii) as a director of an associate company of Galaxy Asset Management (HK), failed to ensure that the said

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## DIRECTORS AND SENIOR MANAGEMENT

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company was properly registered under section 49 of Securities Ordinance before carrying out investment advisory activities in Hong Kong or holding itself out as such. In light of these findings, the SFC concluded that the fitness and properness of Galaxy Asset Management (HK) and Mr. Joe Chan as registered persons had been impugned.

For the period from December 2010 to November 2012, Mr. Chan was the non-executive director and chairman of the board of directors of Larry Jewelry International Company Limited (stock code: 8351) (“**Larry Jewelry**”), a company currently listed on the Growth Enterprise Market of the Stock Exchange and engaging in design and trading of jewelry products and retailing of jewelry products. In February 2011, Mr. Jack Lam was appointed as an independent non-executive director of Larry Jewelry. He was redesignated as a non-executive director of Larry Jewelry in March 2012 until he resigned in November 2012.

In April 2011, Larry Jewelry made an announcement on a very substantial acquisition (the “**Acquisition**”) by its subsidiary of a company principally engaged in the operation of jewelry retail outlets. Under the terms of the Acquisition, the vendor provided a profit guarantee and any shortfall in the said profit guarantee was payable by the vendor on a dollar-for-dollar basis. The said profit guarantee was subsequently waived (“**Waiver**”) by a supplemental agreement entered into in March 2012 (“**Supplemental Agreement**”). The Waiver was approved by the relevant directors of Larry Jewelry in January 2012. Given that the then board of directors Larry Jewelry had a misjudgment that the Waiver was not a material change to the terms of the Acquisition, Larry Jewelry did not issue any announcement or other public document and/or seek shareholders’ approval regarding the Waiver and Supplemental Agreement.

The Growth Enterprise Market Listing Committee (“**GEM Listing Committee**”) found that the Waiver was a material change to the terms of the Acquisition that was subject to announcement and, in agreeing with the Listing Department’s interpretation, shareholders’ approval under Rule 19.36 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**GLR**”). Since Larry Jewelry misjudged that GLR19.36 was not applicable to the Waiver and the Supplemental Agreement, it did not comply with GLR19.36.

In August 2015, the GEM Listing Committee publicly criticised, among others, the relevant directors of Larry Jewelry including Mr. Joe Chan and Mr. Jack Lam for (i) failing to apply such degree of skill, care and diligence required and expected of them with respect to the treatment of the Waiver and Supplemental Agreement; and (ii) failing to use best endeavours to procure Larry Jewelry’s

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## DIRECTORS AND SENIOR MANAGEMENT

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compliance with the GLR to the best of their ability in breach of their obligations under the Declaration and Undertaking with regard to the directors given to the Stock Exchange (the “**Larry Jewelry Incident**”). The GEM Listing Committee concluded that the relevant directors of Larry Jewelry including Mr. Joe Chan and Mr. Jack Lam breached GLR5.01(6) in failing to exercise the skill, care and diligence reasonably required and expected of them, and also found that each of the relevant directors of Larry Jewelry including Mr. Joe Chan and Mr. Jack Lam breached his/her undertaking: (1) to use his/her best endeavours to ensure the Larry Jewelry’s GLR compliance in (a) failing to contemplate and consider the application of GLR19.36 in respect of the Waiver and the Supplemental Agreement; and (b) failing to consult Larry Jewelry’s compliance adviser who, had he/she done so, could and should have reasonably advised that the Waiver and the Supplemental Agreement constituted a material variation to the Acquisition requiring announcement and shareholders’ approval hence preventing a breach of GLR19.36; and (2) to comply with the GLR to the best of his/her ability by reason of his/her breach of GLR5.01(6).

As a pre-requisite of any future appointment as a director of any listed company as directed by the Stock Exchange (the “**Pre-requisite**”), Mr. Joe Chan and Mr. Jack Lam were requested to and have duly attended training sessions with The Hong Kong Institute of Directors regarding, amongst others, compliance with the GLR, director’s duties and corporate governance matters in September 2015. In October 2015, they attended such training sessions and a written certification of full compliance by Mr. Joe Chan and Mr. Jack Lam was provided to the Stock Exchange. See “Business — Risk Management and Internal Control” in this prospectus for details of enhanced internal control measures adopted by our Company to prevent future recurrence.

In relation to the above non-compliances with applicable rules and regulations relating to Mr. Joe Chan and Mr. Jack Lam, our Directors are of the view that each of Mr. Joe Chan and Mr. Jack Lam is suitable to act as a Director due to the following reasons:

- (a) in respect of the Larry Jewelry Incident,
  - (i) Mr. Joe Chan and Mr. Jack Lam were two of the then six directors of Larry Jewelry and they acted as a non-executive director and an independent non-executive director respectively without involvement in the day-to-day management of Larry Jewelry;
  - (ii) the decision concerning that the Waiver and the Supplemental Agreement was not a material variation to the Acquisition and was not subject to announcement was unanimously approved by the then board of directors of Larry Jewelry where Mr. Joe Chan and Mr. Jack Lam concurred with the then other directors of Larry Jewelry in good faith and in genuine belief, albeit the then board’s decision having been alleged to be based on a misjudgment of the applicability of the relevant GLR to the Waiver and the Supplemental Agreement;
  - (iii) the Larry Jewelry Incident did not involve any act of dishonesty or fraudulence or raise any concern on the integrity of Mr. Joe Chan and Mr. Jack Lam;
  - (iv) neither Mr. Joe Chan nor Mr. Jack Lam has been disqualified from acting as a director of listed company as a result of the Larry Jewelry Incident; and

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## DIRECTORS AND SENIOR MANAGEMENT

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- (v) each of Mr. Joe Chan and Mr. Jack Lam has fulfilled the Pre-requisite for any future appointment as a director of any listed company by attending the said training sessions in September 2015 as required by the GEM Listing Committee. Further, they also attended a directors training course provided by our legal advisers as to Hong Kong law in connection with the listing application of our Company in March 2016. They confirmed to us that after attending the said training sessions and directors training course, they have an enhanced understanding of the laws and regulations applicable to companies listed in Hong Kong and their directors and they will exercise the skill, care and diligence as reasonably expected of his appointment as a Director and will give due attention to ensure due compliance with the Listing Rules upon Listing; and
- (b) in respect of the disciplinary sanctions imposed by the SFC,
  - (i) the disciplinary sanctions were imposed on (among others) Mr. Joe Chan in 2001 which is over 15 years ago and he has since 2003 and as at the Latest Practicable Date been registered as a responsible officer of Galaxy Asset Management (HK);
  - (ii) the non-compliance in question did not involve any act of dishonesty or fraudulence or raise any concern on the integrity of Mr. Joe Chan; and
  - (iii) Galaxy Asset Management (HK) and Mr. Joe Chan cooperated fully with the SFC during its inspection;
- (c) we have put in place enhanced internal controls measures to ensure full compliance with applicable laws and regulations going forward, including but not limited to, appointment of Guotai Junan as our compliance adviser and establishment of our Risk Control Committee, and our Directors confirm that our internal control is not susceptible to undue influence of any one Director; and
- (d) each of Mr. Joe Chan and Mr. Jack Lam also confirms that he will ensure compliance of our Company with all applicable laws and regulations, including but not limited to the Listing Rules, by timely consulting with our compliance adviser and where necessary, seeking independent legal advice from time to time and in particular, before our Company entering into any transaction or undertaking any corporate action to which Chapters 14 and 14A of the Listing Rules apply.

Taking into account the foregoing, the Sole Sponsor is satisfied that Mr. Joe Chan and Mr. Jack Lam are suitable to act as our Directors.

Save as disclosed in “Other disclosure required under Rule 13.51(2) of the Listing Rules” in this section, Mr. Joe Chan and Mr. Jack Lam had no other records of regulatory sanctions. See “Business — Risk Management and Internal Control” in this prospectus for further details of our enhanced internal controls measures.

Each of our Directors confirms with respect to him/her that, save as disclosed in “Appendix V — Statutory and General Information” in this prospectus and above, (i) he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (ii) is not related to, any other Directors, members of senior management, substantial shareholders or Controlling Shareholders; (iii) has not held

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## DIRECTORS AND SENIOR MANAGEMENT

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any directorship in any other companies the securities of which are listed on any securities markets in Hong Kong or overseas during the three years preceding the date of this prospectus; (iv) there is no other information that should be disclosed for pursuant to Rule 13.51(2) of the Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to our Directors that need to be brought to the attention of our Shareholders.

### SENIOR MANAGEMENT

**Lee Lap Yan Philip** (李立人), aged 45, has been appointed as a director of project development of Star Properties (HK) since October 2014 and is responsible for overall design, project management, project overall planning, implementation of policies and procedures, design quality control and leading and managing the consultants.

Mr. Lee has over 14 years of experience in the property development, architectural, building and construction industries. Mr. Lee worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
1992 to 1993 and 1994 to 1995	Rocco Design Architects Limited	Architectural practice	Architectural assistant, responsible for architectural designs
1998 to 2001	Chinese Estate Holdings Limited (stock code: 127), a company listed on the Main Board of the Stock Exchange	Property investment and development	Assistant architect, responsible for architectural designs
2003 to 2005	Teamwork Engineers & Consultants Limited	Engineering management	Director, overseeing project development
March 2007 to May 2008	Atelier Pacific Ltd.	Architectural practice	Interior designer, responsible for interior designs
June 2008 to July 2011	Benoy Ltd.	Providing architectural services, master planning, interior and graphic design	Associate director, responsible for architectural and interior designs
July 2011 to September 2014	GREIM, an associate of Mr. Joe Chan	Providing property development and management services	Manager, responsible for project management

Mr. Lee graduated from the University of Portsmouth, United Kingdom with a degree of Arts in Bachelor of Architecture in June 1992.

**Kan Chi Chung** (簡志聰), aged 41, has been appointed as a director of project development of Star Properties (HK) since October 2014 and is responsible for the overall construction, project management, project overall planning, implementation of policies and procedures, design quality control, monitoring the progress of the development projects, coordinating with the consultant teams and contractors and handling all other project related activities of our Group.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Kan has over 18 years of experience in the fields of property development, quantity surveying and project management. Mr. Kan worked or assumed offices (as the case may be) in various companies or entities including the following:

<u>Period of services</u>	<u>Name of entity</u>	<u>Principal business activities</u>	<u>Major office and responsibilities</u>
April 1993 to May 1997	China State Construction Engineering Corporation	Providing engineering construction services	Surveyor assistant, responsible for providing assistance to quantity surveying
May 1997 to July 2007	Chinachem group	Property development	Quantity surveyor, responsible for quantity surveying
July 2007 to October 2007	Kelly Construction Co., Ltd	Providing construction services	Project manager, responsible for overseeing construction projects
February 2009 to March 2011	New House Construction Co., Ltd.	Providing construction services	Project quantity surveyor/ assistant project manager, responsible for quantity surveying and overseeing construction projects
April 2011 to July 2012	Aggressive Construction Company Limited	Providing construction services	Estimator for construction project
August 2012 to September 2014	Shun Shing Contractors Limited, an associate of Mr. Joe Chan	Providing construction services	Quantity surveying manager, responsible for quantity surveying

Mr. Kan graduated from Curtin University of Technology Australia with a Bachelor of Applied Science Construction Management & Economics degree through long distance learning in April 2002. He subsequently obtained a Master of Science in Project Management degree at Hong Kong Polytechnic University in December 2007. He obtained an associate diploma of Architectural Drafting from Holmesglen Institute of TAFE in June 1997, a certificate in building measurement from Vocational Training Council in Hong Kong in July 1994. Mr. Kan has been a member of the Australian Institute of Project Management, Hong Kong Institute of Project Management, and Association of Cost Engineers since September 2013, August 2013 and June 2013, respectively.

**Hui Ying Ying (許瑩瑩)**, aged 33, has been appointed as a director of the company secretarial compliance of Star Properties (HK) since January 2016 and is responsible for company secretarial matters. Ms. Hui has over 7 years of experience in client services and management. She also has experience in fund and account portfolio administration. From April 2008 to March 2011, she worked as a senior fund accountant at HSBC Group and was promoted to client officer of the client service department in November 2010. From March 2011 to December 2015, she served as a manager and director in the marketing and client services department of Galaxy Asset Management (HK), an associate of Mr. Joe Chan.

Ms. Hui graduated from the Chinese University of Hong Kong and obtained a Bachelor of Business Administration degree in December 2004. Since October 2015, she has been a licensed representative who is licensed to carry out type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFC.

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## DIRECTORS AND SENIOR MANAGEMENT

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Each of the members of the senior management confirms that he/she has not held any directorship in any other companies the securities of which are listed on any securities markets in Hong Kong or overseas during the three years preceding the date of this prospectus.

### COMPANY SECRETARY

We have appointed Ms. Cheung Wai Shuen as the company secretary of our Company. See “Executive Directors” in this section for her biographical details.

### REMUNERATION POLICY

Our executive Directors, non-executive Directors, independent non-executive Directors and senior management receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of our Directors and senior management, as well as the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to our Group or executing their functions in relation to our Group’s operations. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of our Directors and performance of our Group.

After the Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload and time devoted to our Group and performance of our Group. Our Directors may also be offered options under the Share Option Scheme.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the three years ended 31 December 2015, the aggregate director’s fee, salaries and allowances and retirement benefits scheme contribution, other benefits in kind and/or discretionary bonuses, paid by us to our Directors were approximately HK\$0.3 million, HK\$52.9 million and HK\$2.0 million, respectively.

For the three years ended 31 December 2015, the aggregate salaries and allowances, discretionary bonuses and retirement benefits scheme contribution, paid by us to the five highest paid individuals was approximately HK\$1.4 million, HK\$57.7 million and HK\$3.2 million, respectively.

Save as disclosed above, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of each of the three years ended 31 December 2015.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2016 will be approximately HK\$2.4 million.

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## DIRECTORS AND SENIOR MANAGEMENT

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During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Track Record Period.

### BOARD COMMITTEES

#### Audit Committee

Our Company established the Audit Committee on 27 June 2016 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely, Ms. Chan Wah Man Carman, Mr. Lee Chung Ming Eric and Mr. Shiu Siu Tao with Ms. Chan Wah Man Carman being the chairman of the Audit Committee. The duties of the Audit Committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, the senior management, the reporting accountants and auditors of our Company. The Audit Committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff or auditors. Members of the Audit Committee are also responsible for reviewing our Group's financial reporting process and internal control system.

#### Remuneration Committee

Our Company established the Remuneration Committee on 27 June 2016 which comprises one executive Director and two independent non-executive Directors, namely, Mr. Joe Chan, Mr. Shiu Siu Tao and Ms. Chan Wah Man Carman and with Mr. Shiu Siu Tao being the chairman of the Remuneration Committee. Written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules have been adopted. Among other things, the primary duties of the Remuneration Committee are to determine the specific remuneration packages of all executive Directors, non-executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of independent non-executive Directors.

#### Nomination Committee

Our Company established the Nomination Committee on 27 June 2016 which comprises one executive Director and two independent non-executive Directors, namely, Mr. Joe Chan, Mr. Shiu Siu Tao and Mr. Lee Chung Ming Eric with Mr. Joe Chan being the chairman of the Nomination Committee. Written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules have been adopted. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of our Directors and succession planning for our Directors.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Risk Control Committee

Our Company established the Risk Control Committee on 27 June 2016 which comprises three executive Directors, two non-executive Directors and one independent non-executive Director, namely, Mr. Joe Chan, Mr. Jack Lam, Ms. Cheung Wai Shuen, Mr. Pong Kam Keung, Mr. Yim Kwok Man and Mr. Lee Chung Ming Eric with Mr. Yim Kwok Man being the chairman of the Risk Control Committee. The primary responsibilities of our Risk Control Committee include but not limited to:

- supervising and monitoring the risks (with a focus on business risk, industry risk, Listing Rules compliance risk) and compliance management system of our Company, including the policies, structure and specific responsibilities;
- advising our Company as to the compliance with the relevant Listing Rules before our Company proposes to enter into transactions to which Chapters 14 and 14A of the Listing Rules apply;
- reviewing and monitoring the training and continuous professional development of our Directors and senior management;
- monitoring our compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and our disclosure in the Corporate Governance Report; and
- monitoring the effective implementation of our risk and compliance management and evaluating the performance of our senior management who are responsible for the risk and compliance management.

### CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules with the exception for code provision A.2.1, which requires the roles of chairman and chief executive officer be in different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Joe Chan currently holds both positions. Throughout our business history, Mr. Joe Chan has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our senior management. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent non-executive Directors) consider Mr. Joe Chan the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “*comply or explain*” principle in our corporate governance report which will be included in our annual reports upon Listing.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 27 June 2016. For details of the Share Option Scheme, see “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus.

### COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, we have appointed Guotai Junan Capital Limited to be our compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by us, including share issues and share repurchases;
- where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The terms of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the second full financial year after the Listing Date, or until the agreement is terminated, whichever is earlier.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OVERVIEW

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), Mr. Joe Chan, through Star Properties Holdings (BVI), a company directly wholly-owned by him, will indirectly own 68.9% of the issued share capital of our Company. Accordingly, Mr. Joe Chan and Star Properties Holdings (BVI) will be our Controlling Shareholders.

Star Properties Holdings (BVI) was incorporated in the BVI on 3 March 2016. It is an investment vehicle of Mr. Joe Chan solely for the purpose of holding his Shares and therefore does not have any business operations. Mr. Joe Chan is the founder and chairman of our Group, and our executive Director. See “Directors and Senior Management — Executive Directors” in this prospectus for more details of the biographical information and experience of Mr. Joe Chan.

As at the Latest Practicable Date, our Controlling Shareholders and their respective close associates had been conducting other businesses or holding interest directly or indirectly in certain companies which are engaged in businesses not in competition with the businesses of our Group. These major other businesses conducted or owned directly or indirectly by our Controlling Shareholders and their respective close associates (the “**Excluded Businesses**”) include but are not limited to:

- (a) *asset management, fund management, financial services and certain regulated activities under the SFO* — Galaxy Asset Management (HK) was founded by Mr. Joe Chan in 1998 and is currently a licensed corporation under the SFO to carry out type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities as defined in the SFO;
- (b) *investment in and operation of serviced apartments, serviced workshops and related businesses* — some of the Excluded Businesses are operated under the brand name “Metropolitan”, one of which includes the investment in and operation of serviced apartments, serviced workshops and related businesses. Established in December 2010, the Excluded Businesses under the “Metropolitan” brand focuses on lifestyle concept and provide related services;
- (c) *building construction services* — this group of companies is a contractor principally engaged in the building maintenance and renovation contracting business in Hong Kong. One of its principal operating subsidiaries is Shun Shing, an associate of Mr. Joe Chan, and is therefore our connected person. Shun Shing was one of our five largest suppliers for each of the two years ended 31 December 2014;
- (d) *wine cellar and wine trading business* — under the “Metropolitan” brand, the wine cellar and wine trading business focuses on the provision of storage facility for wine and wine trading;
- (e) *catering and food factory business* — also under the “Metropolitan” brand, the catering and food factory business focuses on providing catering services for corporate and private events; and

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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(f) other minority investment holdings in various businesses such as fashion and beauty.

See “Independence from our Controlling Shareholders and Their Respective Close Associates — Clear Delineation of our Businesses” in this section for details of the reasons for clear business delineation.

Each of our Controlling Shareholders has given an irrevocable non-disposal undertaking to extend the lock-up period for 36 months from the Listing Date in favour of the Stock Exchange, our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the Hong Kong Underwriters, and will not during the same period, among others, cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company. Such undertaking is voluntary in nature. See “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings” in this prospectus for details.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Having considered the following factors, our Directors consider that we are capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates following the Listing:

#### Clear delineation of our businesses

##### *Retained businesses*

Since we are a property developer engaged in property development and property investment of industrial buildings and commercial buildings for sale or rental in Hong Kong, our businesses are distinctly different from the Excluded Businesses and do not compete with each other for the following reasons:

<u>Excluded Businesses</u>	<u>Basis of clear business delineation</u>
Asset management, fund management, financial services and certain regulated activities under the SFO	<ul style="list-style-type: none"><li>• Different industries and business models</li></ul>
Investment in and operation of serviced apartments, serviced workshops and related businesses ( <i>Note</i> )	<ul style="list-style-type: none"><li>• The investment in and operation of serviced apartments, serviced workshops and related businesses are not the type of business which our Group would like to focus on. During the Track Record Period and up to the Latest Practicable Date, none of the properties held or leased by our Group were for the investment in and operation of serviced apartments, serviced workshops and related businesses by our Group. It is contemplated that going forward, our Group will not hold or lease properties for engaging in the investment in and operation of serviced apartments, serviced workshops and related businesses</li></ul>

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### Excluded Businesses

### Basis of clear business delineation

- The business model as well as the expertise and resources required for the operation of serviced apartments and serviced workshops are distinct from those of property development. All serviced apartments operated by the Excluded Businesses are intended for lease to target customers including business travellers, expatriates and locals for short-term stay, instead of for sale. In addition, ancillary services such as housekeeping services are provided by the Excluded Businesses. The serviced apartments are located at a building in Causeway Bay which is currently a residential building under the relevant approved general building plans. On the other hand, our Group and the Excluded Businesses have different target customers in relation to workshops. All workshops of The Galaxy held by our Group are intended for sale on a bare shell basis as separate units (instead of for lease by our Group), whereas the operation of serviced workshops under the Excluded Businesses is a service provided to users, whereby the use is licensed to target customers who are users involved in workshop activities. The serviced workshops of the Excluded Businesses have interior fit out and the license to the use of such serviced workshops is granted to users together with the provision of ancillary services, with or without additional service fees, such as renting of mailbox and enjoyment of common area. The premises of the serviced workshops are also held by Mr. Joe Chan and his close associates for yield enhancement.
  - It is operated under a different brand name from that of our Group
- Building construction services  
(Note)
- The building construction services are an upstream industry of ours
  - The building construction services are not the type of business which our Group would like to focus on. During the Track Record Period, we had not carried out building construction works by ourselves and save for Shun Shing, an associate of Mr. Joe Chan, which won the relevant tender and undertook the building construction works for The Galaxy, we have outsourced such building construction services to Independent Third Parties
  - Going forward and consistent with market practice, we will continue to contract out our building construction work to third party service providers through tender process, and will comply with the relevant requirements of the Listing Rules as and when appropriate



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Excluded Businesses	Basis of clear business delineation
Wine cellar and wine trading business ( <i>Note</i> )	• Different industries and business models
Catering and food factory business ( <i>Note</i> )	• Different industries and business models
Other minority investment holdings in various businesses	• Different industries and business models

*Note:* As at the Latest Practicable Date, Mr. Jack Lam (a) held minority interest in the investment in and operation of serviced apartments, serviced workshop and related businesses, wine cellar and wine trading business and catering and food factory business of Mr. Joe Chan and (b) is interested in the building construction services of Mr. Joe Chan as one of the directors.

As the Excluded Businesses are not within the principal business scope of our Group nor in line with our business strategies, we consider it is not in the best interests of our Company and our Shareholders as a whole to include any of the Excluded Businesses into our Group since we currently do not intend to engage in the Excluded Businesses. Mr. Joe Chan has also confirmed that he has no intention to inject any of the Excluded Businesses into our Group.

### *Retained properties*

Mr. Joe Chan and his close associates will retain certain properties after the Listing, which can be broadly classified into three categories, namely (a) properties held for personal residence and car parking use (the “**Personal Residential Properties**”); (b) properties held for personal investment and wealth management (the “**Personal Investment Properties**”); and (c) properties held for use as part of the integral business operations of the Excluded Businesses (the “**Properties For Excluded Businesses**”, together with the Personal Residential Properties and Personal Investment Properties, the “**Retained Properties**”). The following table sets out further details of the Retained Properties held by Mr. Joe Chan and his close associates as at the Latest Practicable Date:

	Number of properties	Geographical location	Type of property	Usage	En bloc building or property or separate units
Personal Residential Properties . . . . .	5	Kowloon, Hong Kong	Residential properties	Personal residence and car parking use	Separate units
Personal Investment Properties . . . . .	12	Hong Kong (including Kowloon, Shek Tong Tsui, Fanling, Sai Wan Ho, Yuen Long, Chai Wan, Wan Chai and Causeway Bay), Macau and PRC	Save for one industrial unit in Chai Wan (which is currently for storage) and two pieces of adjoining farm land in Yuen Long (which are currently partially leased for recreational facilities), all Personal Investment Properties are residential properties	Personal investment and wealth management	Save for the two pieces of adjoining farm land in Yuen Long, all other Personal Investment Properties are individual and separate units

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Number of properties	Geographical location	Type of property	Usage	En bloc building or property or separate units
Properties For Excluded Businesses . . . . .	23	Hong Kong (including Tsuen Wan, Causeway Bay, Tin Hau and Admiralty)	Residential, commercial, signage and industrial properties	Usage includes: <ul style="list-style-type: none"> <li>● Office premises (including a commercial unit in Admiralty Centre that is leased to us. See “Connected Transaction” in this prospectus for details)</li> <li>● Serviced workshops</li> <li>● Serviced apartments</li> <li>● Wine cellar</li> </ul>	Save for the premises for the operation of the serviced apartments, all Properties for Other Businesses are individual and separate units

The Retained Properties were not injected into our Group as our Directors are of the view that such properties neither form part of our core business nor are in line with our business strategies.

We consider that the Personal Residential Properties do not compete with our Group’s existing property development portfolio as they are for personal residential usage of Mr. Joe Chan.

Our Directors consider that the Personal Investment Properties and Properties For Excluded Businesses are not aligned with our business focus and strategies as a whole and thus do not compete with our existing property development portfolio for the following reasons:

- (a) we mainly focus on the investment in properties which are either pending commencement of property redevelopment or enhancement. We may lease out the redeveloped properties or properties after enhancement at an increased rental upon completion of the property redevelopment or enhancement works. On the other hand, none of the Personal Investment Properties and Properties For Excluded Businesses is intended to be redeveloped or enhanced;
- (b) all workshops of The Galaxy are intended for sale on a bare shell basis (instead of for lease) by our Group as a developer, whereas the premises of the serviced workshops operated by the Excluded Businesses are held by Mr. Joe Chan and his close associates as landlord and licensed to target customers who are users involved in workshop activities for yield enhancement. For details of the basis of clear business delineation between the workshops of The Galaxy developed and sold by our Group and serviced workshops held and operated by our Controlling Shareholders and their respective close associates, see “Independence from our Controlling Shareholders and their Respective Close Associates — Clear delineation of our businesses — Retained businesses” in this section. In addition, as at the Latest Practicable Date, we held investment properties comprising certain parking spaces of The Galaxy and The Star, and the Yue Fung Property, whereas the CWK Property, which is under development, is currently leased to various Independent Third Parties. None of the above properties are being or will be held or leased by us for the investment in and operation of serviced workshops and are thus of different nature from the serviced workshops retained by the Excluded Businesses;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (c) to our best knowledge, information and belief, as at the Latest Practicable Date, save for the ultimate shareholder of the licensees of the second floor of The Galaxy Parking Spaces who was also the ultimate shareholder of a tenant of the serviced workshops owned and operated under the Excluded Businesses, there were no overlapping tenants between our Group's properties on the one hand and the Personal Investment Properties and Properties For Excluded Businesses on the other hand.

None of our Controlling Shareholders and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with our principal businesses, which would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-competition with us to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses. See "Non-Compete Undertakings" in this section for details.

### **Operational independence**

We are operating our businesses independently of our Controlling Shareholders and their respective close associates since:

- (a) we are not reliant on trademarks owned by our Controlling Shareholders or their respective close associates;
- (b) our major operating subsidiaries have obtained all relevant licences that are necessary for their operations in their own names;
- (c) we have our own management team which is independent of our Controlling Shareholders. See "Independence from our Controlling Shareholders and Their Respective Close Associates — Management Independence" in this section for further elaboration on this factor;
- (d) we have our own divisional and functional teams and facilities for each of our operating business segments, and each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our businesses;
- (e) save as disclosed in "Business — Our Suppliers", "Business — Our Customers" and Note 31 to the Accountants' Report set out as Appendix I to this prospectus, we have independent access to our major suppliers and major customers and none of our Controlling Shareholders and their respective close associates are major suppliers or major customers of our Group;
- (f) our Company has established a set of internal control procedures to facilitate the effective operation of our business; and
- (g) we do not rely on business referrals by our Controlling Shareholders and their respective close associates.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### **Continuing Connected Transaction between our Group and entities controlled by our Controlling Shareholders**

During the Track Record Period, certain entities controlled by our Controlling Shareholders entered into related party transactions with our Group in the ordinary course of our business and on normal commercial terms. Such related party transactions are disclosed in Note 31 to the Accountants' Report set out as Appendix I to this prospectus. Such transaction, if continued upon Listing, will constitute continuing connected transaction of our Company under the Listing Rules. Details of our continuing connected transaction is set out in "Connected Transaction" in this prospectus.

Our Directors confirm that, save and except for the continuing connected transaction set out in "Connected Transaction" in this prospectus, all related party transactions with our Controlling Shareholders will be discontinued upon Listing. Our Directors (including our independent non-executive Directors ("INEDs")) consider that such continuing connected transaction has been entered into in the ordinary and usual course of our business and are based on arm's length negotiation and on normal commercial terms that are in the interests of our Group and our Shareholders as a whole.

The continuing connected transaction between our Group and entities controlled by our Controlling Shareholders are not material in value as far as our Group is concerned. On an aggregated annual basis, the amounts paid or payable by our Group to such entities did not exceed 1.7% of our Group's revenue for the year ended 31 December 2015.

### **Financial independence**

Our Board believes that we are able to operate financially independently from our Controlling Shareholders and their respective close associates since:

- (a) all loans, advances and balances due to and from our Controlling Shareholders and their respective close associates will be fully settled upon Listing and that all guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowing will be fully released upon Listing;
- (b) we have our own accounting and financial department and independent financial system and make our financial decisions independently according to our own business and operation needs;
- (c) our finance operations are handled by our finance department, which operates independently from our Controlling Shareholders and their respective close associates, and does not share any other functions or resources with our Controlling Shareholders or their associates;
- (d) we have our own treasury function and we have independent access to third party financing on market terms and conditions for our business operations as and when required; and
- (e) we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their respective close associates.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### Management independence

The table below sets out the directorships and positions which our Directors and members of the senior management have in our Controlling Shareholders and their respective close associates immediately following the Listing:

<u>Our Directors and senior management</u>	<u>Star Properties Holdings (BVI)</u>	<u>Other companies controlled by Mr. Joe Chan (excluding our Group)</u>
Mr. Joe Chan . . . . .	✓	✓
Mr. Jack Lam . . . . .	X	✓(Note 1)
Ms. Cheung Wai Shuen . . . . .	X	✓(Note 2)
Mr. Yim Kwok Man . . . . .	X	✓(Note 2)
Ms. Hui Ying Ying . . . . .	X	✓(Note 2)

*Notes:*

1. As at the Latest Practicable Date, Mr. Jack Lam was one of the directors of the building construction services companies controlled by Mr. Joe Chan and the sole director of a company controlled by Mr. Joe Chan which currently does not have business activities.
2. As at the Latest Practicable Date, Galaxy Asset Management (HK) had four responsible officers (two of which include Mr. Joe Chan, our executive Director, and Ms. Cheung Wai Shuen, our executive Director) and seven licensed representatives (two of which include Mr. Yim Kwok Man, our non-executive Director, and Ms. Hui Ying Ying, our senior management member). As at the Latest Practicable Date, Galaxy Asset Management (HK) had applied for the change of responsible officer in place of Ms. Cheung Wai Shuen and was pending the approval of the SFC.

Save as disclosed above, our Directors and senior management do not hold any directorships or positions in our Controlling Shareholders or their respective close associates.

Despite disclosed above, we have management independence from our Controlling Shareholders and their respective close associates for the following reasons:

- (a) although Mr. Joe Chan, Mr. Jack Lam, Ms. Cheung Wai Shuen, Mr. Yim Kwok Man and Ms. Hui Ying Ying held directorships or positions in some of the close associates of our Controlling Shareholders, the positions held by them in the close associates of our Controlling Shareholders do not require them to devote substantial time and attention but only to, where applicable, provide and give strategic advice and planning as and when needed or that the relevant companies do not currently have any business activities. In addition, each of Mr. Joe Chan, Mr. Jack Lam, Ms. Cheung Wai Shuen and Ms. Hui Ying Ying has confirmed that they will devote sufficient time and efforts to our Group. Therefore, such arrangement will not affect the proper discharge and performance of their functions and duties towards our Group;
- (b) our Board comprises nine Directors, of whom four are executive Directors, two are non-executive Directors and three are INEDs. With the appointment of the INEDs to our Board, we maintain and will continue to maintain a balanced composition of executive and non-executive Directors with diversified expertise and experience, so that a strong independent element is present to effectively exercise independent judgment on the corporate actions of our Company and make decisions after due consideration of independent and impartial opinions and views of our INEDs;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (c) our Board is assisted and supported by our senior management in the discharge of its role. Our senior management comprises three members. Save as disclosed above, they are independent from our Controlling Shareholders and their respective close associates. Our senior management is responsible for the daily management and operations of our Group and the implementation of our business plan and strategy as laid down by our Board. The day-to-day management and operations of our Group are managed and operated independently from our Controlling Shareholders and their respective close associates;
- (d) the management, operation and affairs of our Group are headed, managed and supervised independently by our Board and not by any individual Director. Our Board acts collectively by a majority decision according to the Articles, and no individual Director is allowed to transact or can alone make any decision on behalf of our Company unless authorised by our Board or in accordance with the provisions of the Articles and the Companies Law. Any view of a Director will be checked and balanced by the view of other members of our Board;
- (e) each Director is aware of his/her fiduciary duties as a Director of our Company to act for the benefit and in the best interests of our Company and not for their personal interest, and no individual Director can alone transact or make any decision for and on behalf of our Company for his personal interest;
- (f) pursuant to the terms of the service contracts entered into between our Company and our executive Directors, every executive Director is required to devote sufficient time, attention and abilities during normal business hours and such additional time as may reasonably be requisite to our Group;
- (g) instances of actual or potential conflict have been identified (see “Connected Transaction” in this prospectus) and minimised (by virtue of the Deed of Non-competition);
- (h) in the event that a Director has a conflict of interest in or arising out of any transaction to be considered and approved by our Board, the interested Director must abstain from voting at the relevant meeting of our Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the Listing Rules. The independence of our Board’s decisions in respect of any matters in which any of our Directors has a potential conflict of interest is and can be ensured;
- (i) connected transactions between our Company and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including rules relating to announcement, reporting and independent Shareholders’ approval (where applicable);
- (j) all of the businesses that are related to the property development and property investment of industrial buildings and commercial buildings for sale or rental in Hong Kong held by our Controlling Shareholders have been consolidated into our Group as part of our Reorganisation. Therefore, there is no competition that would adversely affect the management independence of our Group; and

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (k) our Company has established corporate governance procedures in safeguarding the interests of our Shareholders and enhancing Shareholders' value. Each of our Directors is fully aware of his/her fiduciary duty to our Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the Articles and/or the Listing Rules; and
- (l) under the Articles and the Listing Rules, our Directors must abstain from voting on any resolutions of our Board in respect of any contracts or arrangements or proposal in which they or any of their respective close associates have a material interest and shall not be counted towards the quorum of such Board meeting. The independence of our Board's decisions in respect of any matters in which any of our Directors has a material interest is and can be ensured.

### NON-COMPETE UNDERTAKINGS

Each of our Controlling Shareholders has confirmed that none of them or their respective close associates is engaged in, or interested in any businesses (other than those of our Group) which, directly or indirectly, compete or may compete with our businesses. To protect our Group from any potential competition, our Controlling Shareholders (collectively, the "**Covenantors**") have given non-compete undertakings (the "**Non-Compete Undertakings**") in favour of our Company pursuant to which the Covenantors have, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

- (a) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the businesses currently and from time to time engaged by our Group (including the property development and property investment of industrial buildings and commercial buildings for sale or rental in Hong Kong or any other country or jurisdiction in or to which our Group carries on business mentioned above from time to time) (the "**Restricted Activity**");
- (b) if there is any project or new business opportunity that relates to the Restricted Activity (each, "**New Business Opportunity**"), refer such New Business Opportunity to our Group for consideration;
- (c) not invest or participate in any Restricted Activity; and
- (d) procure its/his close associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings are subject to the exception that any of the close associates of the Covenantors (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our INEDs) without the attendance by any Director with beneficial interest in

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of the Covenantor(s) invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of the Covenantor(s) decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The Non-Compete Undertakings will become effective conditional on (i) the Stock Exchange granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise.

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which the Covenantors and their close associates (whether individually or taken as a whole) cease to hold 30% or more of the then issued share capital of our Company (whether directly or indirectly) or cease to be our Controlling Shareholders; and
- (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

## CORPORATE GOVERNANCE MEASURES

Our Company has adopted the corporate governance measures with the following principles to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) our Controlling Shareholders have undertaken to provide to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Non-Compete Undertakings by the Controlling Shareholders. Each of our Controlling Shareholders will also make an annual declaration of compliance with the Deed of Non-competition in the annual reports of our Company;
- (b) the INEDs will review, on an annual basis, the compliance of our Controlling Shareholders with the Non-Compete Undertakings (in particular, the right of first refusal relating to any new business opportunity that relates to the Restricted Activity) and our Company will disclose decisions on matters reviewed by the INEDs relating to compliance with the enforcement of Non-Compete Undertakings in our annual report or by way of announcement to the public;



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (c) in the event that a New Business Opportunity or otherwise is identified by the Controlling Shareholders, they shall refer such New Business Opportunity to our Group and shall not pursue such New Business Opportunity unless the INEDs have resolved to decline such New Business Opportunity on a case-by-case basis and have notified in writing of their decisions with relevant reasons;
- (d) we have appointed three INEDs to ensure the effective exercise of independent judgment on the decision-making process of our Board and provide independent advice to our Shareholders;
- (e) we have appointed Guotai Junan Capital Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;
- (f) our Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests and shall not be counted towards the quorum for voting pursuant to the Articles and/or the Listing Rules; and
- (g) the management structure of our Group includes our Audit Committee, our Remuneration Committee, and our Nomination Committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly.

### **PERSONAL PROPERTY INTERESTS HELD BY OUR EXECUTIVE AND NON-EXECUTIVE DIRECTORS**

For personal property interests held by Mr. Joe Chan, our executive Director, see “Independence from our Controlling Shareholders and Their Respective Close Associates — Clear Delineation of our Businesses — Retained properties” in this section. As at the Latest Practicable Date, our other executive Directors and non-executive Directors held certain individual units either for personal residence or personal investment and wealth management (collectively, the “**Directors’ Personal Properties**”).

The Directors’ Personal Properties are not included in the property portfolio of our Group as they are either personal properties of our Directors for them to reside in or personal investment properties which are held for their personal wealth management purposes.

None of our Directors has any interests in any business which directly or indirectly competes or is likely to compete with our principal businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

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## CONNECTED TRANSACTION

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### CONTINUING CONNECTED TRANSACTION

Upon the Listing, we will continue to have transaction that constitutes continuing connected transaction of our Company as defined by the Listing Rules. Set out below is a summary of such continuing connected transaction.

### EXEMPT CONTINUING CONNECTED TRANSACTION

#### **Leasing of Office Space**

##### *Connected person*

As at the Latest Practicable Date, Sunny Generation Limited was ultimately wholly-owned by Mr. Joe Chan, and is therefore an associate of Mr. Joe Chan and a connected person of our Company under the Listing Rules.

##### *Transaction*

Pursuant to a tenancy agreement dated 1 April 2016 entered into between Sunny Generation Limited and Star Properties (HK) (the “**Tenancy Agreement**”), Star Properties (HK) leases the office located at Unit 602B, 6th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong from Sunny Generation Limited at a monthly rental of HK\$110,800 for a term commencing from 1 April 2016 to 31 December 2016.

Our Directors (including our independent non-executive Directors) consider that it is in the interests of our Company and Shareholders as a whole to enter into the Tenancy Agreement.

##### *Listing Rules implications*

As the relevant percentage ratios as prescribed under Chapter 14 of the Listing Rules for the Tenancy Agreement are less than 5% and the total consideration is less than HK\$3,000,000, and the transaction is on normal commercial terms, the transaction contemplated under the Tenancy Agreement is qualified under Rule 14A.76(1)(c) of the Listing Rules as de minimis transaction that is fully exempt from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and taking no account of the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or who is 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 our Company or any other member of our Group:

Name of shareholder	Capacity/nature of interest	As at the Latest Practicable Date		Immediately following the completion of the Global Offering and the Capitalisation Issue	
		Number of shares held (Note 1)	% of interest	Number of shares held (Note 1)	% of interest
Mr. Joe Chan . . . . .	Interest of controlled corporation (Note 2)	918 (L)	91.8%	154,336,000 (L)	68.9%
Star Properties Holdings (BVI) . .	Beneficial owner (Note 2)	918 (L)	91.8%	154,336,000 (L)	68.9%
Mr. Jack Lam . . . . .	Interest of controlled corporation (Note 3)	82 (L)	8.2%	13,664,000 (L)	6.1%
Eagle Trend (BVI) . .	Beneficial owner (Note 3)	82 (L)	8.2%	13,664,000 (L)	6.1%

*Notes:*

- (1) The letter “L” denotes the person’s long position (as defined under Part XV of the SFO) in the Shares.
- (2) Star Properties Holdings (BVI) is an investment holding company incorporated on 3 March 2016 in the BVI with limited liability and is wholly-owned by Mr. Joe Chan. By virtue of the SFO, Mr. Joe Chan is deemed to be interested in all Shares in which Star Properties Holdings (BVI) is interested.
- (3) Eagle Trend (BVI) is an investment holding company incorporated on 29 February 2016 in the BVI with limited liability and is wholly-owned by Mr. Jack Lam. By virtue of the SFO, Mr. Jack Lam is deemed to be interested in all Shares in which Eagle Trend (BVI) is interested.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme), have interests or short positions in any of our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly, interested in 10% or more of the total number of shares in any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company as at the date of this prospectus and shares issued or to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering and the Capitalisation Issue:

#### Authorised share capital:

	<u>Aggregate nominal value</u>
	<i>HK\$</i>
1,000,000,000 Shares	10,000,000

#### Shares issued or to be issued, fully paid or credited as fully paid:

1,000 Shares in issue as of the date of this prospectus	10
167,999,000 Shares to be issued pursuant to the Capitalisation Issue	1,679,990
<u>56,000,000</u> Shares to be issued under the Global Offering	<u>560,000</u>
<u>224,000,000</u> <b>Total</b>	<u>2,240,000</u>

### ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant to the Global Offering and the Capitalisation Issue. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options to be granted under the Share Option Scheme or which may be allotted and issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### RANKING

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as all Shares in issue or to be issued. The Offer Shares will carry the same rights as all Shares in issue or to be issued and, in particular, will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus (save for entitlements to the Capitalisation Issue).

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of our Memorandum of Association and our Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital by special resolution of shareholders. For details, see “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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Pursuant to the Companies Law and the terms of our Memorandum of Association and our Articles of Association, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares in that class. For details, see “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO ISSUE SHARES**

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, particulars of which are set out in “Statutory and General Information — A. Further Information About Our Group — 3. Extraordinary general meeting of our Shareholders on 27 June 2016” in Appendix V to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to repurchase Shares. See “Statutory and General Information — A. Further Information About Our Group — 3. Extraordinary general meeting of our Shareholders on 27 June 2016” and “Statutory and General Information — A. Further Information About Our Group — 6. Repurchase of our own securities” in Appendix V to this prospectus for details.

### **SHARE OPTION SCHEME**

We have conditionally approved and adopted the Share Option Scheme. See “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus for details.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in “Appendix I — Accountant’s Report” to this prospectus. The combined financial information has been prepared in accordance with HKFRSs.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors”.*

### OVERVIEW

We are a property developer principally engaging in property development of industrial buildings for sale or rental in Hong Kong. According to the JLL Report, in terms of the development of private industrial market, our Group ranked fifth in terms of GFA of the properties completed since 2011.

For the three years ended 31 December 2015, the revenue of our Group amounted to nil, approximately HK\$611.8 million and approximately HK\$78.7 million respectively. After the completion of construction of The Galaxy, our first completed project, in August 2014, delivery of the sold workshop units of The Galaxy took place in the third and fourth quarters of 2014 and revenue in respect of the sale of these sold workshop units was recognised upon such delivery in accordance with the relevant accounting standards. As such, no revenue was recorded by our Group in the year ended 31 December 2013. During the Track Record Period, a majority of our revenue was attributable to sale of the completed workshop units of The Galaxy and a relatively small amount of our revenue was in the form of the recurring rental income from leasing out certain parking spaces of The Galaxy and certain floors and parking spaces of the Yue Fung Property.

During the Track Record Period, we derived our profit mainly from sale of workshop units of The Galaxy. For the three years ended 31 December 2015, our Group recorded a net profit of approximately HK\$0.2 million, HK\$196.1 million and HK\$37.1 million respectively. During the same period, we recorded fair value gain of investment properties of approximately HK\$5.1 million, HK\$12.0 million and HK\$16.4 million respectively. Assuming such fair value gains were excluded, our Group would record an adjusted loss of approximately HK\$4.9 million for the year ended 31 December 2013 and adjusted profits of approximately HK\$184.1 million and HK\$20.7 million for the two years ended 31

## FINANCIAL INFORMATION

December 2015 respectively, the profit requirements under Rule 8.05(1)(a) of the Listing Rules would still be met. The following table sets out such calculations for the years indicated:

	Year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year . . . . .	228	196,090	37,102
Excluding:			
— Gain arising on change in fair value of investment properties . . . . .	(5,096)	(11,952)	(16,402)
Adjusted (loss)/profit for the year . . . . .	(4,868)	184,138	20,700
Fair value gain as a percentage of the profit for the year . . . . .	2,235.1%	6.1%	44.2%

Going forward, we expect that a substantial amount of revenue would be generated from the sale of workshop units of The Star, of which the completion of construction and delivery of the sold workshop units are expected to take place between the last quarter of 2016 and the first quarter of 2017 and a more stable income stream will be achieved by our Group as we anticipate an increase in contribution to our profit from rental as a source of recurring income as a result of the completion of the Yue Fung Project and the CWK Project.

During the Track Record Period, our property development and acquisition were funded partially through our amounts due from shareholders which were interest-free. Our amounts due to Directors amounted to approximately HK\$83.0 million, HK\$205.4 million and HK\$366.0 million as at 31 December 2013, 31 December 2014 and 31 December 2015, respectively. We have included an illustration of the impact of notional net interest expenses on the combined statement of profit or loss and other comprehensive income of our Group during the Track Record Period as follows. Prospective investors should note that such analysis is not governed by the HKFRS and is based on assumptions and is for reference only and should not be viewed as control effect. Based on the then prevailing market interest rate, the notional net interest expenses that would have been charged to our Group would have amounted to approximately HK\$1.8 million, HK\$3.6 million and HK\$5.4 million for the three years ended 31 December 2015, respectively, among which nil, approximately HK\$0.8 million and approximately HK\$2.2 million would have been charged to the combined statement of profit or loss and other comprehensive income; and approximately HK\$1.8 million, HK\$2.8 million and HK\$3.2 million would have been capitalised for the three years ended 31 December 2015, respectively. We adopted the notional interest rate as if we had borrowed such amounts equivalent to the amounts due to Directors from our lending banks. The interest rate ranged from approximately 3.2% to 3.7%, 2.7% to 3.7% and 2.5% to 3.7% for the three years ended 31 December 2015, respectively. Assuming such notional net interest expenses were charged, our Group would have recorded adjusted profits for the year of

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approximately HK\$0.2 million, HK\$195.3 million and HK\$34.9 million for the three years ended 31 December 2015 respectively. As such, the profit requirements under Rule 8.05(1)(a) of the Listing Rules would still be met. For illustrative purpose only, the following table sets out the impact of such notional net interest expenses on combined statement of profit or loss and other comprehensive income for the years indicated:

	Year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b> . . . . .	228	196,090	37,102
Less: Notional net interest expenses . . . . .	—	(819)	(2,244)
<b>Adjusted profit for the year</b> . . . . .	<b>228</b>	<b>195,271</b>	<b>34,858</b>

Going forward, we expect that interest expenses would be incurred by us for the interest-bearing loans to be extended by our lending banks at interest rate at HIBOR plus 3.0% as we will be financially independent from our Directors. On 17 March 2016, we obtained a banking facility granting an aggregate sum of approximately HK\$430 million which will be available to be drawn down upon Listing. As at 30 April 2016, our amounts due to Directors, namely Mr. Joe Chan and Mr. Jack Lam, amounted to approximately HK\$383 million, of which approximately HK\$193 million is intended to be repaid by drawing down part of the aforesaid banking facility upon Listing while the remaining balance of approximately HK\$190 million will be capitalised in proportion to their respective shareholding interests in our Company upon Listing. The interest expenses will then be charged to our combined statement of profit or loss and other comprehensive income or capitalised in accordance with applicable accounting policies. As such, our interest expenses in relation to borrowings may increase in the future, which include those to be incurred in relation to the banking facilities for the repayment of amounts due to Directors, as compared to the interest expenses in relation to borrowings during the Track Record Period.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 4 March 2016 as an exempted company with limited liability under the Companies Law. In preparation for the Listing, our Group underwent the Reorganisation. See “History, Reorganisation and Corporate Structure” in this prospectus for further details of the Reorganisation. As a result of the Reorganisation, our Company became the holding company of the companies now comprising our Group which were under the common control of our Controlling Shareholders before and after the Reorganisation.

The financial information has been prepared in accordance with HKFRSs. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been adopted by our Group in the preparation of the financial information throughout the Track Record Period.

For more information on the basis of presentation and preparation of the financial information included herein, please refer to Note 2 to the Accountants’ Report in Appendix I to this prospectus.



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## FINANCIAL INFORMATION

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### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

#### **Economic conditions and market cycles in Hong Kong**

Our revenue from property development is greatly affected by the market demand for our properties, which is directly affected by the economic conditions in Hong Kong as all of our revenue was derived in Hong Kong during the Track Record Period. Nominal gross domestic product of Hong Kong recorded growth of 3.0%, 2.7% and 2.4% during 2013, 2014 and 2015, respectively. Economic growth may allow increase in disposable income of general households in Hong Kong which in turns may enhance the demand for the property market in Hong Kong as well as property pricing trends. Also, confidence of the customers will also be boosted when the economy in Hong Kong is surging which also in turn drives the increase in demand for the property market in Hong Kong. On the contrary, if the economic growth of Hong Kong declines, the market demand for our properties and our revenue from property development are likely to be adversely affected.

For our rental income, since most of our tenancies are or are expected to be of a term less than three years, our operating results may be affected if new leases are not obtained or reduction in rent is agreed upon renewal of tenancies. As a result of relatively short term leases, our rental income is also more susceptible to more frequent market-led reviews or adjustments when we enter into a new lease or renew a lease. As such, we expect the demand for our properties and our operating results will continue to be affected by the general economic conditions in Hong Kong.

#### **Regulations of the property industry in Hong Kong**

Our operation is subject to various policies and regulations of the property industry in Hong Kong. These policies and regulations include, but not limited to, policies on mortgage down payments, stamp duties, supply of land, property financing and others. Any changes to the policies and regulations may impose possible restrictions on our operation and, thus, our financial performance in case of any failure to promptly and effectively adapt to such changes. Also, we may incur extra costs as policies and regulations evolve in the future. This may increase our operating costs and, hence lower our profit. We expect the demand for our properties and our operating results will continue to be affected by the regulations of the property industry in Hong Kong.

#### **Timing and length of property development**

Our development of property generally takes several years to complete. Though pre-sale is allowed for our properties under development as long as it satisfies certain requirements, no revenue can be recognised for the respective properties until the development of the property is completed and delivered to our customers with a handover form signed by them. As such, our cash flows and revenue recognition may vary from period to period and may not be matched when property is under development. Also, due to intensive capital requirements and limited supply of land, the projects undertaken during the same period of time is limited which may also affect the timing of cash flows and revenue recognition. With different property development schedules, we experienced fluctuations in our cash flows, revenue recognition and results of operation during the Track Record Period and they are likely to fluctuate in

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the future. See “Risk Factors — During the Track Record Period, we generated revenue principally from property development. Our operating results depend on a number of factors including the schedule of our property development and the timing of property sales” in this prospectus for details.

### **Pre-sale**

Pre-sale represents selling of properties at stages before its completion. In compliance with the applicable laws and regulations, we can pre-sell our properties under development if it satisfies certain requirements. We normally receive deposits or certain instalments from pre-sale which constitutes a significant inflow of cash for our operation which are required to be used for our construction or development of the respective properties. Thus, the result of pre-sale may affect our operation and cash inflow and our ability to early repay certain bank loans in order to reduce interest expenses. The result of pre-sale is affected by a number of factors such as market condition and demand for our pre-sale properties, competition from other available properties, regulations or restrictions in Hong Kong. Any change to our pre-sale performance will affect our cash flows and also our results of operation.

### **Access to and cost of financing**

Our operation of land acquisition and property development is capital intensive. During the Track Record Period, we funded our development from our own internal funds from operation, external funds from bank borrowings and also loans from related parties and advances from our Directors. The accessibility of bank borrowings depends on prevailing policies of the Hong Kong Monetary Authority or other governmental or regulatory bodies in Hong Kong, and implementation of the relevant policies by our financing banks on acquisition or construction of properties with bank financing. During the Track Record Period, our Group also used funds from our Directors or related companies for our properties acquisition and development of properties. Upon Listing, the outstanding amounts due to related companies will all be settled and our Group will be financially independent from them. Our Directors believe that we will be financially independent from them and related companies upon Listing. However, our ability to raise funds for property acquisition via bank financing is subject to the prevailing policies of the Hong Kong Monetary Authority or other governmental or regulatory bodies in Hong Kong, and implementation of the relevant policies by our financing banks. Our Group’s future expansion may be adversely affected in the event that our Group is not able to obtain sufficient financing for acquisition of new properties for development or investment should suitable opportunities arise.

During the Track Record Period, our bank borrowings carried variable interest rate while our loans from related parties carried fixed interest rates. Our total borrowing costs amounted to approximately HK\$12.7 million, HK\$18.8 million and HK\$12.8 million for the three years ended 31 December 2015, respectively. Thus, any changes in interest rate may affect our cost of financing and, thus, our results of operation.

### **Changes in fair value of investment properties**

During the Track Record Period, our investment properties were stated at their estimated fair value on our combined statements of financial position as non-current assets as at each reporting date on the basis of valuations by the Property Valuer. The fair value of our investment properties amounted to approximately HK\$19.3 million, HK\$34.6 million, HK\$523.5 million and HK\$525.1 million as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively.

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Valuation on our investment properties was based on the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. The accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development are taken into account for the valuation. Gains or losses arising from changes in the estimated fair value of our investment properties are accounted for as changes in fair value of investment properties in our combined statements of profit or loss and other comprehensive income. During the Track Record Period, we recorded change in fair value of investment properties of approximately HK\$5.1 million, HK\$12.0 million and HK\$16.4 million for the three years ended 31 December 2015, respectively. The valuation of our investment properties has resulted in, and may continue to result in, impact on our profit. For additional information on valuation of our investment properties, see “Accountants’ Report — Significant Accounting Policies and Critical Accounting Judgment and key source of Estimated Uncertainty” and “Description of certain items of combined statements of financial position — Investment properties” in this section below.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our gain arising on change in fair value of investment properties on our profit before tax during the Track Record Period. Fluctuations in our gain arising on change in fair value of investment properties are assumed to be 5%, 10% and 15%.

	Changes in %		
	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Hypothetical fluctuations</b>			
<b>Increase/decrease in gain arising on change in fair value of investment properties for the year ended</b>			
31 December 2013. . . . .	+/-255	+/-510	+/-764
31 December 2014. . . . .	+/-598	+/-1,195	+/-1,793
31 December 2015. . . . .	+/-820	+/-1,640	+/-2,460
<b>Increase/decrease in profit before tax for the year ended</b>			
31 December 2013. . . . .	+/-255	+/-510	+/-764
31 December 2014. . . . .	+/-598	+/-1,195	+/-1,793
31 December 2015. . . . .	+/-820	+/-1,640	+/-2,460

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

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Valuation on our investment properties was based on the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. Any changes to the average selling price of our investment properties may affect the valuation of our investment properties and, our gain/(loss) arising on change in fair value of investment properties.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of the average selling price on our investment properties on our profit before tax during the Track Record Period. Fluctuations in the average selling price on our investment properties are assumed to be 5%, 10% and 15%.

	Changes in %		
	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Hypothetical fluctuations</b>			
<b>Increase/decrease in gain arising on change in fair value of investment properties as a result of increase/decrease in average selling price of our investment properties for the year ended</b>			
31 December 2013. . . . .	+/-966	+/-1,932	+/-2,898
31 December 2014. . . . .	+/-1,730	+/-3,460	+/-5,190
31 December 2015. . . . .	+/-26,173	+/-52,345	+/-78,518
<b>Increase/decrease in profit before tax for the year ended</b>			
31 December 2013. . . . .	+/-966	+/-1,932	+/-2,898
31 December 2014. . . . .	+/-1,730	+/-3,460	+/-5,190
31 December 2015. . . . .	+/-26,173	+/-52,345	+/-78,518

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

### Costs of operation

Our costs of operations mainly consist of land cost and construction cost. The aggregate amount of land cost and construction cost amounted to approximately HK\$277.9 million and HK\$34.4 million for each of the year ended 31 December 2014 and 2015, representing approximately 88.1% and 82.9% of our cost of properties sold for the respective year. Since land cost and construction cost represented the largest portion of our cost of properties sold, any significant increase in these costs may adversely affect our cost of properties sold rendered and lower our gross profit.

During the Track Record Period, the land cost and construction cost were generally increasing. The land cost is primarily affected by economic conditions, the market demand and policies and regulations of Hong Kong. Construction cost includes mainly material and staff costs in relation to our development of properties. Since Hong Kong recorded general inflation in the recent years, construction cost has been increasing. Though the amount of construction cost is generally negotiated with our contractors, the increase in material and staff costs is likely to be included in the fee quotations from our contractors. Thus, any increase in construction cost may also have significant effect on our results of operations.

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For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our land cost and construction cost on our profit before tax during the Track Record Period. Fluctuations in our land cost and construction cost are assumed to be 5%, 10% and 15%.

	Changes in %		
	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Hypothetical fluctuations</b>			
<b>Increase/decrease in land cost and construction cost for the year ended</b>			
31 December 2013. . . . .	N/A	N/A	N/A
31 December 2014. . . . .	+/-13,893	+/-27,786	+/-41,678
31 December 2015. . . . .	+/-1,719	+/-3,438	+/-5,157
<b>Increase/decrease in profit before tax for the year ended</b>			
31 December 2013. . . . .	N/A	N/A	N/A
31 December 2014. . . . .	-/+13,893	-/+27,786	-/+41,678
31 December 2015. . . . .	-/+1,719	-/+3,438	-/+5,157

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

### SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on deferred taxation on investment properties, fair value of investment properties and estimated net realisable value on properties held for sale, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set out in detail in Notes 4 and 5 to the Accountants' Report in Appendix I to this prospectus while the detail classification of our investment properties and properties held for sale is set out below.

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### Classification of investment properties and properties held for sale

Before acquiring, developing or redeveloping a property, our Directors would decide the intention of such acquisition or development. We generally classify properties as investment properties which they are intended to generate rental income or be held for capital appreciation. For properties we intend to sell as inventories, they are classified as properties held for sale. Thus, our classification of properties under investment properties or properties held for sale of our Group is systematic with basis but not arbitrary.

To consider whether to designate a property as a property held for sale or investment property, we may consider a number of factors, including but not limited to the following:

- (a) the long term capital appreciation potential of properties in the neighbourhood, which can in turn be affected by certain factors such as location, supply and demand of similar properties in the neighbourhood, proximity to transportation links, prevailing market conditions and existing and future development potential in the future. If we consider that there is long term capital appreciation potential of properties in the neighbourhood, we may be more inclined to hold our properties for a longer period for recurring rental income and may sell them in the future should opportunities arise to maximise our capital gain; and
- (b) the occupancy rates of properties in the neighbourhood. If the occupancy rates of the properties in the neighbourhood are high, we are more inclined to hold the premises of our properties as investment properties since we consider that the demand for our properties would be higher.

During the Track Record Period, we classified the properties set out in the table below as properties held for sale as we intended to sell these properties as inventories.

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Completed property</b>			
The Galaxy	—	58,889	19,847
<b>Properties under development</b>			
The Galaxy	200,086	—	—
The Star	176,967	234,400	315,509
CWK Property	—	190,202	192,913
	<u>377,053</u>	<u>424,602</u>	<u>508,422</u>
Total	<u><u>377,053</u></u>	<u><u>483,491</u></u>	<u><u>528,269</u></u>

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During the Track Record Period, we classified the properties set out in the table below as investment properties as we intended to hold these properties for generating rental income and capital appreciation.

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Investment properties under construction at costs</b>			
The Star Parking Spaces . . . . .	3,260	—	—
<b>Investment properties under construction at fair value</b>			
The Galaxy Parking Spaces . . . . .	16,060	—	—
The Star Parking Spaces . . . . .	—	13,090	21,770
	<u>16,060</u>	<u>13,090</u>	<u>21,770</u>
<b>Completed investment properties at fair value</b>			
The Galaxy Parking Spaces . . . . .	—	21,510	28,680
<b>Investment properties pending alterations and additions works at fair value</b>			
Yue Fung Property . . . . .	—	—	473,000
	<u>19,320</u>	<u>34,600</u>	<u>523,450</u>

## RESULTS OF OPERATIONS

The following table summarises the combined statement of profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 December					
	2013		2014		2015	
	<i>HK\$'000</i>	Percentage of total revenue	<i>HK\$'000</i>	Percentage of total revenue	<i>HK\$'000</i>	Percentage of total revenue
<b>Revenue</b> . . . . .	—	N/A	611,811	100.0	78,672	100.0
Cost of sales and services . . . . .	—	N/A	(315,548)	(51.6)	(42,709)	(54.3)
<b>Gross profit</b> . . . . .	—	N/A	296,263	48.4	35,963	45.7
Other income . . . . .	28	N/A	4,420	0.7	5,963	7.6
Gain arising on change in fair value of investment properties . . . . .	5,096	N/A	11,952	2.0	16,402	20.8
Selling expenses . . . . .	(1,623)	N/A	(10,764)	(1.8)	(1,189)	(1.5)
Administrative and other expenses . . . . .	(3,485)	N/A	(66,710)	(10.9)	(10,139)	(12.9)
Listing expenses . . . . .	—	N/A	—	—	(864)	(1.1)
Finance costs . . . . .	—	N/A	(2,433)	(0.3)	(4,006)	(5.0)
<b>Profit before tax</b> . . . . .	16	N/A	232,728	38.1	42,130	53.6
Income tax credit (expense) . . . . .	212	N/A	(36,638)	(6.0)	(5,028)	(6.4)
<b>Profit and total comprehensive income for the year</b> . . . . .	<u>228</u>	<u>N/A</u>	<u>196,090</u>	<u>32.1</u>	<u>37,102</u>	<u>47.2</u>

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### DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

Our revenue represents revenue from property development and rental income from property investment. The following table sets out, for the periods indicated, the breakdown of our revenue by segment:

	For the year ended 31 December					
	2013		2014		2015	
	<i>HK\$'000</i>	Percentage of total revenue %	<i>HK\$'000</i>	Percentage of total revenue %	<i>HK\$'000</i>	Percentage of total revenue %
<i>Revenue from:</i>						
Property development . . . .	—	—	611,765	100.0	73,513	93.4
Property investment . . . . .	—	—	46	0.0	5,159	6.6
Total . . . . .	—	—	611,811	100.0	78,672	100.0

During the Track Record Period, we did not generate any revenue for the year ended 31 December 2013 as no property development had been completed and no properties were ready to be delivered to our customers. During the Track Record Period, we derived majority of our revenue from property development in Hong Kong and all of our revenue from property development recorded during the two years ended 31 December 2015 was generated from sales of properties of The Galaxy, our first completed project. Revenue generated from property development for the two years ended 31 December 2015 amounted to approximately HK\$611.8 million and HK\$73.5 million, respectively, representing approximately 100.0% and 93.4% of our total revenue respectively. We first recognised our revenue in the year ended 31 December 2014 as a result of (i) the completion of The Galaxy, our first completed project, and the delivery of respective properties to our customers in the same year; and (ii) the rental income from our investment properties, which were mainly carparks of our industrial buildings situated in Hong Kong. Revenue generated from rental income from our investment properties is classified under the business segment of property investment.

Consistent with industry practice, we generally enter into provisional sale and purchase agreements with our customers in relation to our property development business in the development stage of our properties, and thus, pre-sale commenced in compliance with the laws and regulations governing pre-sale in Hong Kong. Revenue from sale our properties is recognised when the respective properties have been completed and delivered to our customers. Deposits and instalments received from our customers prior to meeting the criteria for revenue recognition are included in the combined statement of financial position under current liabilities.

Our revenue generated from property development is mainly affected by the GFA of our developed properties sold and their respective ASP. The ASP is generally affected by a number of factors such as the type of building, locations, market condition and demand and costs of development. Thus, our revenue fluctuated during the Track Record Period.



## FINANCIAL INFORMATION

The following table sets out, for the periods indicated, the breakdown of revenue generated from the property development activities, the related GFA sold and the ASP:

For the year ended 31 December								
2013			2014			2015		
GFA sold		ASP	GFA sold		ASP	GFA sold		ASP
HK\$'000	sq.ft.	HK\$/sq.ft.	HK\$'000	sq.ft.	HK\$/sq.ft.	HK\$'000	sq.ft.	HK\$/sq.ft.
—	—	—	611,765	128,700	4,753	73,513	16,161	4,549

*Note:* All the above revenues were generated from the sale of units of The Galaxy. The Galaxy has a total GFA of 152,254 sq.ft. The GFA of the workshop units sold during the Track Record Period was approximately 144,861 sq.ft.. A total of nine workshop units remained undelivered during the Track Record Period. Three of the said nine workshop units had been contracted for sale before 2016 and was delivered in 2016. As at the Latest Practicable Date, there were six workshop units of The Galaxy remained unsold.

The ASP of The Galaxy decreased from approximately HK\$4,753 per sq.ft. for the year ended 31 December 2014 to approximately HK\$4,549 per sq.ft. for the year ended 31 December 2015, primarily due to the delay in payments by a customer in respect of certain workshop units of The Galaxy from 2014 to 2015. According to the sale and purchase agreement signed with such customer during the pre-sale in the first quarter of 2013, such customer was scheduled to make all payments by the end of 2014 and our Group was scheduled to deliver the relevant workshop units in 2014. Such customer then requested for, and our Group agreed to, a delay in payments to 2015.

Since such customer accounted for approximately 51.6% of our total revenue for the year ended 31 December 2015 and the purchase prices of the pre-sale of The Galaxy in the first quarter of 2013 was generally lower than the purchase prices of the subsequent pre-sale in 2014 for the remaining workshop units of The Galaxy, such delay in completion and delivery has resulted in a lower ASP for the year ended 31 December 2015.

### Cost of sales and services

Our cost of sales and services mainly represents cost of properties sold which is directly associated with the revenue from property development and cost related to leasing properties during the respective years. For property development, consistent with industry practice, we generally recognise cost of properties sold when the respective properties have been completed and delivered to our customers. Costs incurred during development stage prior to meeting the above evidence for recognition are included in the combined statement of financial position under properties held for sale.

During the Track Record Period, we did not recognise any cost of sales and services for the year ended 31 December 2013 as no property development had been completed and no property was ready to be delivered to our customers and no rental income was generated. For the two years ended 31 December 2015, our cost of properties sold was recognised for The Galaxy.

## FINANCIAL INFORMATION

The following table sets out the breakdown of our cost of sales by segment during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Cost of properties sold . . .	—	—	315,527	100.0	41,513	97.2
Cost relating to property investment . . . . .	—	—	21	0.0	1,196	2.8
Total . . . . .	—	—	315,548	100.0	42,709	100.0

### *Cost of properties sold*

Cost of properties sold consists of costs directly associated with revenue from property development recognised during the corresponding period. During the Track Record Period, cost of properties sold included construction costs, land acquisition costs, capitalised borrowing costs and other costs.

The following table sets out, for the periods indicated, a breakdown of our cost of properties sold by nature:

	For the year ended 31 December					
	2013		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Construction costs . . . . .	—	—	228,332	72.4	28,253	68.1
Land acquisition costs . . .	—	—	49,524	15.7	6,128	14.8
Capitalised borrowing costs . . . . .	—	—	18,067	5.7	2,236	5.3
Others . . . . .	—	—	19,604	6.2	4,896	11.8
Total . . . . .	—	—	315,527	100.0	41,513	100.0

### *Construction costs*

Our construction costs include all costs incurred for the design and construction of The Galaxy, including payments to third party contractors for construction works such as material costs and labour costs. For the two years ended 31 December 2015, our construction costs amounted to approximately HK\$228.3 million and HK\$28.3 million respectively, which accounted for approximately 72.4% and 68.1% of our cost of properties sold for the respective year.

### *Land acquisition costs*

Our land acquisition costs mainly represent costs of acquiring the land. For the two years ended 31 December 2015, our land acquisition costs amounted to approximately HK\$49.5 million and HK\$6.1 million respectively, which accounted for approximately 15.7% and 14.8% of our cost of properties sold for the respective year.

## FINANCIAL INFORMATION

### *Capitalised borrowing costs*

Our capitalised borrowing costs represent the cost of borrowings to the extent that such cost is directly attributable to the acquisition and development of our properties under development incurred during the period until the completion of development. For the two years ended 31 December 2015, our capitalised borrowing costs amounted to approximately HK\$18.1 million and HK\$2.2 million respectively, which accounted for approximately 5.7% and 5.3% of our cost of properties sold for the respective year.

### *Others*

Our other costs of properties sold mainly consist of architectural fee and consultancy fee of our properties sold. For the two years ended 31 December 2015, cost of property development amounted to approximately HK\$19.6 million and HK\$4.9 million respectively, which accounted for approximately 6.2% and 11.8% of our cost of properties sold for the respective year.

### *Costs relating to property investment*

Costs relating to property investment primarily represent costs associated with the management of our investment properties we lease to third parties.

### **Gross profit and gross profit margin**

The following table sets out a breakdown of gross profit and gross profit margin by segment for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	Gross profit margin		Gross profit margin		Gross profit margin	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<i>Gross profit from:</i>						
Property development . . . .	—	—	296,238	48.4	32,000	43.5
Property investment . . . . .	—	—	25	54.3	3,963	76.8
Total . . . . .	—	—	296,263	48.4	35,963	45.7

We did not generate any revenue, and thus did not recognise any cost of sales and gross profit for the year ended 31 December 2013. For the two years ended 31 December 2015, our gross profit amounted to approximately HK\$296.3 million and HK\$36.0 million respectively and the gross profit margin was approximately 48.4% and 45.7%, respectively.

## FINANCIAL INFORMATION

### Other income

	For the year ended 31 December					
	2013		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Temporary rental income						
from properties held for						
sale . . . . .	—	—	340	7.7	3,932	65.9
Property management fee . . . . .	—	—	140	3.2	1,127	18.9
Interest income . . . . .	4	14.3	251	5.7	638	10.7
Deposit forfeited by						
tenants and property						
purchasers . . . . .	—	—	3,683	83.3	80	1.4
Others . . . . .	24	85.7	6	0.1	186	3.1
Total . . . . .	<u>28</u>	<u>100.0</u>	<u>4,420</u>	<u>100.0</u>	<u>5,963</u>	<u>100.0</u>

Other income mainly represents temporary rental income from properties held for sale, property management fee, interest income, deposits forfeited by tenants and property purchasers and others. Other income amounted to approximately HK\$28,000, HK\$4.4 million and HK\$6.0 million, respectively, for the three years ended 31 December 2015.

Our deposit forfeited by tenants and property purchasers for the two years ended 31 December 2015 was attributed to The Galaxy. We would normally enter into negotiation with the purchasers regarding the deposit forfeited or refunded when we received cancellation of property transaction from them. The amount of deposit forfeiture is negotiated among parties and is determined on a case-by-case basis depending on the reasons for cancellation of property transaction.

Our temporary rental income from properties held for sale was attributed to the tenancy we generated from properties under development which may be sold eventually after completion of development and were not accounted for as investment properties. For the year ended 31 December 2014, the entire temporary rental income was generated from our CWK Property. For the year ended 31 December 2015, the temporary rental income was generated from our CWK Property and The Galaxy Parking Spaces.

Our property management fee represents management fees received for The Galaxy during the Track Record Period.

### Change in fair value of investment properties

Our property interests held for generating rental income under operating lease arrangement were measured using fair value model and were accounted for as investment properties during the Track Record Period. The fair value of our investment properties as at 31 December 2013, 2014 and 2015 and 30 April 2016 had been valued by the Property Valuer, primarily based on the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and residual approach. The accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development are taken into account for the valuation.

## FINANCIAL INFORMATION

The following table sets out a breakdown of the fair value changes on our investment properties during the Track Record Period:

	Year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Investment properties under construction</b>			
The Galaxy Parking Spaces. . . . .	5,096	—	—
The carparks of The Star (“The Star Parking Spaces”) . . . . .	—	8,772	7,186
	<u>5,096</u>	<u>8,772</u>	<u>7,186</u>
<b>Completed investment properties</b>			
The Galaxy Parking Spaces. . . . .	—	3,180	7,170
<b>Investment properties pending alterations and additions works</b>			
Yue Fung Property . . . . .	—	—	2,046
	<u>5,096</u>	<u>11,952</u>	<u>16,402</u>

Our gain arising on change in fair value of investment properties was approximately HK\$5.1 million, HK\$12.0 million and HK\$16.4 million for the three years ended 31 December 2015, respectively. The increase in fair value gain for the year ended 31 December 2014 compared to that for the year ended 31 December 2013 was mainly due to the increase in fair value of The Star Parking Spaces which commenced construction in the year ended 31 December 2013 and were still under construction in the year ended 31 December 2014. The fair value gain further increased to approximately HK\$16.4 million for the year ended 31 December 2015 mainly due to the increase in fair value of The Galaxy Parking Spaces of approximately HK\$7.2 million and increase in fair value of the Yue Fung Project of HK\$2.0 million which was acquired during the year ended 31 December 2015.

The increase in fair value of investment properties was non-cash and non-taxable gains which constitute neither cash nor tax effect to our financial results during the Track Record Period. See “Significant Accounting Policies and Critical Estimates and Judgement — Investment properties” in this section and “Property Valuation Report” in Appendix III to this prospectus for details of the change in fair value of our investment properties.

### Selling expenses

Our selling expenses consist primarily of property agency commission, professional fee in relation to property development and other selling expenses. Property agency commission relates to payments to sales agents based on a percentage of the actual sales conducted by them.

## FINANCIAL INFORMATION

The following table sets out a breakdown of our selling expenses for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Property agency						
commission . . . . .	—	—	10,043	93.3	1,042	87.6
Professional fee for						
property development . .	988	60.1	721	6.7	147	12.4
Others . . . . .	<u>635</u>	<u>39.9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total . . . . .	<u>1,623</u>	<u>100.0</u>	<u>10,764</u>	<u>100.0</u>	<u>1,189</u>	<u>100.0</u>

Our selling expenses amounted to approximately HK\$1.6 million, HK\$10.8 million and HK\$1.2 million for the three years ended 31 December 2015, respectively. As a percentage of total revenue, our selling expenses accounted for approximately 1.8% and 1.5% for the two years ended 31 December 2015 respectively.

Our property agency commission was mainly commission paid to third party property agencies for sales of our property developed. No property agency commission was incurred for the year ended 31 December 2013 as no property development was completed. The property agency commission amounted to approximately HK\$10.0 million and HK\$1.0 million for the two years ended 31 December 2015 respectively.

We also incurred professional fee for property development mainly for preparing legal documents during the Track Record Period which amounted to approximately HK\$1.0 million, HK\$0.7 million and HK\$0.1 million for the three years ended 31 December 2015 respectively.

Other selling expenses mainly represent advertising expenses of approximately HK\$0.6 million for promoting The Galaxy during the year ended 31 December 2013.

### Administrative and other expenses

Administrative and other expenses primarily comprise staff costs, consultancy fee, Directors' emoluments, bank charges, rent and rates and others. For our staff costs, it included salaries, other allowances and bonus from property development. The amount of staff costs can be capitalised to the extent that it is attributable to the property development prior to its completion.

## FINANCIAL INFORMATION

The following table sets out a breakdown of our administrative and other expenses for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Staff costs . . . . .	—	—	6,378	9.6	807	8.0
Consultancy fee . . . . .	1,076	30.9	3,598	5.4	1,000	9.9
Directors' emoluments . . . . .	40	1.2	49,975	74.9	1,147	11.3
Bank charges . . . . .	778	22.3	399	0.6	1,075	10.6
Rents and rates . . . . .	642	18.4	848	1.3	1,569	15.4
Other administrative expenses . . . . .	949	27.2	5,512	8.2	4,541	44.8
	<u>3,485</u>	<u>100.0</u>	<u>66,710</u>	<u>100.0</u>	<u>10,139</u>	<u>100.0</u>

Administrative and other expenses amounted to approximately HK\$3.5 million, HK\$66.7 million and HK\$10.1 million for the three years ended 31 December 2015, respectively. As a percentage of total revenue, our administrative expenses accounted for approximately 10.9% and 12.9% for the two years ended 31 December 2015, respectively.

### Listing expenses

Listing expenses comprise professional and other expenses in relation to our Listing. Listing expenses amounted to HK\$0.9 million for the year ended 31 December 2015.

### Finance costs

	For the year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:			
Bank borrowings . . . . .	3,352	8,179	9,993
Loans from related parties . . . . .	<u>9,397</u>	<u>10,601</u>	<u>2,808</u>
Total borrowing costs . . . . .	12,749	18,780	12,801
Less: amount capitalised in cost of qualifying assets . . . . .	<u>(12,749)</u>	<u>(16,347)</u>	<u>(8,795)</u>
Total . . . . .	<u>—</u>	<u>2,433</u>	<u>4,006</u>

Finance costs comprise mainly interest charges on our interest-bearing bank borrowings and interest on loans from related parties. Our total borrowing costs amounted to approximately HK\$12.7 million, HK\$18.8 million and HK\$12.8 million for the three years ended 31 December 2015 respectively, while the amount capitalised in costs of qualifying assets as they were directly attributable to them amounted to approximately HK\$12.7 million, HK\$16.3 million and HK\$8.8 million for the three years ended 31 December 2015 respectively.

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## FINANCIAL INFORMATION

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### **Income tax expense**

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

*(i) Cayman Islands/BVI profits tax*

Our Group has not been subject to any taxation in the Cayman Islands/BVI.

*(ii) Hong Kong profits tax*

Hong Kong profits tax has been provided at the rate of 16.5% for the three years ended 31 December 2015 on the assessable profit for the Track Record Period.

We had income tax credit of approximately HK\$0.2 million for the year ended 31 December 2013, whilst the income tax expenses were approximately HK\$36.6 million and approximately HK\$5.0 million for the two years ended 31 December 2015, respectively. The effective tax rate for the two years ended 31 December 2015 was approximately 15.7% and 11.9%, respectively.

### **REVIEW OF HISTORICAL RESULTS OF OPERATION**

#### **Year ended 31 December 2015 compared to year ended 31 December 2014**

##### *Revenue*

Our revenue decreased by approximately HK\$533.1 million or 87.1% to approximately HK\$78.7 million for the year ended 31 December 2015 from approximately HK\$611.8 million for the year ended 31 December 2014 as a result of decrease in the number of units delivered for The Galaxy during the year ended 31 December 2015. Our revenue from property development amounted to HK\$73.5 million for the year ended 31 December 2015. The GFA sold of The Galaxy delivered in the year ended 31 December 2015 was approximately 16,161 sq.ft. with an ASP of approximately HK\$4,549 per sq.ft.. The decrease in ASP per sq.ft. delivered for the year ended 31 December 2015 compared to that for the year ended 31 December 2014 was mainly due to the delay in payments by a customer in respect of certain workshop units of The Galaxy from 2014 to 2015. For details, see “Description of selected items in statements of profit or loss and other comprehensive income — Revenue” in this section.

Our rental income generated from our investment properties increased by approximately HK\$5.1 million from approximately HK\$46,000 for the year ended 31 December 2014 to approximately HK\$5.2 million for the year ended 31 December 2015. The increase was mainly attributable to the rental income from our Yue Fung Property of approximately HK\$4.5 million which was acquired in February 2015.

##### *Cost of sales and services*

Cost of sales and services decreased by approximately HK\$272.8 million or 86.5% to approximately HK\$42.7 million for the year ended 31 December 2015 from approximately HK\$315.5 million for the year ended 31 December 2014. Such decrease was in line with decrease in sales which was mainly attributable to the decreased number of properties sold during the year ended 31 December 2015.



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### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit decreased by approximately HK\$260.3 million or 87.9 % from approximately HK\$296.3 million for the year ended 31 December 2014 to approximately HK\$36.0 million for the year ended 31 December 2015. Our gross profit margin decreased from approximately 48.4% for the year ended 31 December 2014 to approximately 45.7% for the year ended 31 December 2015, which was mainly due to decrease in gross profit margin from our property development from approximately 48.4% for the year ended 31 December 2014 to approximately 43.5% for the year ended 31 December 2015 as there was additional subsequent construction costs for The Galaxy of approximately HK\$2.5 million, recognised for the year ended 31 December 2015. The decrease in gross profit margin was partially offset by the increase in gross profit margin of rental income from property investment (which was mainly due to the Yue Fung Property) from approximately 54.3% for the year ended 31 December 2014 to approximately 76.8% for the year ended 31 December 2015.

### *Other income*

Other income increased by approximately HK\$1.6 million or 34.9% to approximately HK\$6.0 million for the year ended 31 December 2015 from approximately HK\$4.4 million for the year ended 31 December 2014. The decrease in other income was mainly due to (i) increase in temporary rental income from properties held for sale of HK\$3.6 million for the full year rental income of two units from our CWK Property for the year ended 31 December 2015, while there was only two months rental income recognised for the year ended 31 December 2014 and one additional unit leased out for the full year of the year ended 31 December 2015; and (ii) increase in property management fees of approximately HK\$1.0 million for The Galaxy. The increase was partially offset by decrease in deposit forfeited by tenants and property purchasers of approximately HK\$3.6 million.

### *Gain arising on change in fair value of investment properties*

Other Gain arising on change in fair value of investment properties increased by approximately HK\$4.5 million or 37.2% to approximately HK\$16.4 million for the year ended 31 December 2015 from approximately HK\$12.0 million for the year ended 31 December 2014. The increase was mainly due to increase in fair value gain on The Galaxy Parking Spaces of approximately HK\$4.0 million and increase in fair value gain for Yue Fung Property of approximately HK\$2.0 million as a result of its acquisition in February 2015.

### *Selling expenses*

Selling expenses decreased by approximately HK\$9.6 million or 89.0% to approximately HK\$1.2 million for the year ended 31 December 2015 from approximately HK\$10.8 million for the year ended 31 December 2014. The decrease was primarily attributable to decrease in property agency commission of approximately HK\$9.0 million mainly due to the decrease in number of The Galaxy's workshop units delivered from 133 units for the year ended 31 December 2014 to 14 units for the year ended 31 December 2015.

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## FINANCIAL INFORMATION

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### *Administrative and other expenses*

Administrative and other expenses decreased by approximately HK\$56.6 million or 84.8% to approximately HK\$10.1 million for the year ended 31 December 2015 from approximately HK\$66.7 million for the year ended 31 December 2014. The decrease was primarily due to a substantial decrease in discretionary bonus to our executive Directors and staff mainly as a result of the profit arising from the sale of the workshop units of The Galaxy, which was included as Directors' emoluments and staff costs. The discretionary bonus was calculated based on our executive Directors' or staff's contribution and performance attributable to the sale of the workshop units of The Galaxy and was paid to all Directors and staff involved in the sale of the workshop units of The Galaxy except for those whose salary was on a commission basis.

### *Listing expenses*

Listing expenses amounted to approximately HK\$0.9 million for the year ended 31 December 2015 which was mainly due to the professional fees incurred for our Listing while such cost had not been incurred in previous years.

### *Finance costs*

Finance costs increased by approximately HK\$1.6 million from approximately HK\$2.4 million for the year ended 31 December 2014 to approximately HK\$4.0 million for the year ended 31 December 2015. The increase was mainly due to the increase in interest on bank borrowings for the acquisition of the Yue Fung Property in July 2015.

### *Income tax expense*

Income tax expense decreased by approximately HK\$31.6 million or 86.3% to approximately HK\$5.0 million for the year ended 31 December 2015 from approximately HK\$36.6 million for the year ended 31 December 2014. The decrease was mainly due to the decrease in assessable profits for the year ended 31 December 2015 due to decreased number of properties delivered. Our effective tax rate decreased to approximately 11.9% for the year ended 31 December 2015 mainly as a result of gain arising on change in fair value of investment properties of approximately HK\$16.4 million which is not taxable for profits tax purpose.

### *Profit for the year*

As a result of the foregoing, profit for the year decreased by approximately HK\$159.0 million or 81.1% to approximately HK\$37.1 million for the year ended 31 December 2015 from approximately HK\$196.1 million for the year ended 31 December 2014. Despite the decrease in our net profit, our net profit margin increased from approximately 32.1% for the year ended 31 December 2014 to approximately 47.2% for the year ended 31 December 2015 which was mainly due to increase in gain arising on change in fair value of investment properties of HK\$4.5 million.

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## FINANCIAL INFORMATION

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### Year ended 31 December 2014 compared to year ended 31 December 2013

#### *Revenue*

We did not generate any revenue for the year ended 31 December 2013 as no property development had been completed and no property was ready to be delivered to our customers. In the year ended 31 December 2014, our revenue amounted to approximately HK\$611.8 million which was mainly contributed from property development. During the year ended 31 December 2014, revenue was recognised as a result of completion and sale of 138 workshop units of The Galaxy. Since The Galaxy was still under construction and was not ready to be delivered to our customers in 2013, the deposits or instalment received from it was accounted for other payables as at 31 December 2013. Thus, no revenue was recorded for the year ended 31 December 2013.

In August 2014, revenue recognition of The Galaxy commenced as it was completed and delivered to our customers. All the 138 units were delivered and recognised as revenue for the year ended 31 December 2014. The GFA sold of The Galaxy during the year ended 31 December 2014 was approximately 128,700 sq.ft. with an ASP of approximately HK\$4,753 per sq.ft. sold.

For the year ended 31 December 2014, we also generated rental income of HK\$46,000 from our investment properties, which were the ground floor and the first floor of The Galaxy Parking Spaces. Since The Galaxy was still under construction for the year ended 31 December 2013 there was no rental income recorded.

#### *Cost of sales and services*

We did not recognise any cost of sales and services for the year ended 31 December 2013 as no property development had been completed and no property was delivered to our customers. For the year ended 31 December 2014, our cost of sales amounted to approximately HK\$315.5 million as a result of completion and delivery of certain workshop units of The Galaxy. The amount was attributed to construction costs of approximately HK\$228.3 million, land acquisition costs of approximately HK\$49.5 million, capitalised borrowing costs of approximately HK\$18.1 million and other costs of approximately HK\$19.6 million, all of which contributed to the development and construction cost for The Galaxy for the year ended 31 December 2014. Our cost of services in relation to the rental income from investment properties amounted to approximately HK\$21,000 only for the year ended 31 December 2014.

#### *Gross profit and gross profit margin*

As a result of the foregoing, no gross profit was generated for the year ended 31 December 2013, while our gross profit amounted to approximately HK\$296.3 million for the year ended 31 December 2014 with a profit margin of approximately 48.4%. The gross profit margin contributed by the property development and property investment in respect of The Galaxy for the year ended 31 December 2014 was approximately 48.4% and 54.3%, respectively.

#### *Other income*

Other income increased by approximately HK\$4.4 million to approximately HK\$4.4 million for the year ended 31 December 2014 from HK\$28,000 for the year ended 31 December 2013. The increase in other income was mainly due to (i) forfeiture of deposit of approximately HK\$3.7 million received due

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## FINANCIAL INFORMATION

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to cancellation of certain pre-sold workshop units of The Galaxy and no such event occurred during the year ended 31 December 2013; and (ii) temporary rental income from properties held for sale of approximately HK\$0.3 million for two of the units of our CWK Property for the year ended 31 December 2014 which the term of both leases commenced in November 2014.

### *Gain arising on change in fair value of investment properties*

Other gain arising on change in fair value of investment properties increased by approximately HK\$6.9 million or 134.5% to approximately HK\$12.0 million for the year ended 31 December 2014 from approximately HK\$5.1 million for the year ended 31 December 2013. The increase was mainly due to the increase in gain in fair value for The Star Parking Spaces of approximately HK\$8.8 million for the year ended 31 December 2014, which was partially offset by the decrease in gain in fair value for The Galaxy Parking Spaces of approximately HK\$1.9 million for the year ended 31 December 2015.

### *Selling expenses*

Selling expenses increased by approximately HK\$9.2 million or 563.2% to approximately HK\$10.8 million for the year ended 31 December 2014 from approximately HK\$1.6 million for the year ended 31 December 2013. The increase was primarily due to the property agency commission paid to property agents of approximately HK\$10.0 million for the year ended 31 December 2014 in relation to the sales of properties of The Galaxy.

### *Administrative and other expenses*

Administrative and other expenses increased by approximately HK\$63.2 million or 18.1 times to approximately HK\$66.7 million for the year ended 31 December 2014 from approximately HK\$3.5 million for the year ended 31 December 2013. The increase was primarily due to (i) the increase in directors' emoluments and total staff costs for the year ended 31 December 2014 by approximately HK\$51.4 million and approximately HK\$4.9 million, respectively, which was mainly as a result of discretionary bonus to our Directors and staff for the successful sale of The Galaxy; and (ii) the increase in consultancy fees of approximately HK\$2.5 million. The amount of staff costs was mostly capitalised for the year ended 31 December 2013 to the extent that it was directly attributable to the property development of The Galaxy prior to its completion. Thus, no staff costs was included as administrative expense for the year ended 31 December 2013.

### *Finance costs*

The total borrowing costs incurred increased from approximately HK\$12.7 million for the year ended 31 December 2013 to approximately HK\$18.8 million for the year ended 31 December 2014 mainly as a result of the increase in bank borrowings for the year ended 31 December 2014. Since the borrowing costs for the year ended 31 December 2013 was attributable to the development of The Galaxy, the entire amount was capitalised as costs of The Galaxy. Thus, no finance costs was charged to combined statement of profit or loss and other comprehensive income for the year ended 31 December 2013. For the year ended 31 December 2014, approximately HK\$16.3 million was attributable to the development of our properties and was capitalised as costs. Among the total borrowing costs, approximately HK\$2.4 million was incurred after completion of the development of The Galaxy and the amount was not capitalised in accordance to the applicable accounting framework. Thus, approximately HK\$2.4 million was recognised in the statement of profit or loss for the year ended 31 December 2014.

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### *Income tax expense*

We recorded income tax credit of approximately HK\$0.2 million for the year ended 31 December 2013, while an income tax expenses of approximately HK\$36.6 million for the year ended 31 December 2014. The said income tax credit was attributable to the net loss incurred by Bright Port for the year ended 31 December 2013. The increase was mainly due to the sale of workshop units of The Galaxy for the year ended 31 December 2014. The effective tax rate for the year ended 31 December 2014 was approximately 15.7% which approximated the applicable tax rate.

### *Profit for the year*

As a result of the foregoing, profit for the year increased by approximately HK\$195.9 million or 980.5 times to approximately HK\$196.1 million for the year ended 31 December 2014 from approximately HK\$0.2 million for the year ended 31 December 2013 with net profit margin of approximately 32.1% for the year ended 31 December 2014.

## LIQUIDITY AND CAPITAL RESOURCES

### **Cash Flow**

Our operation is capital intensive, and our primary uses of cash are for the payment of acquisition of land, construction costs, staff costs, various operating expenses and acquisition of investment properties and have been funded through a combination of cash generated from our operations, bank borrowings and advances from related companies and directors. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Global offering for implementing our future plans as detailed in “Future Plans and Use of Proceeds” in this prospectus and no reliance on advances from related companies or Directors.

The following table summarises, for the periods indicated, our statements of cash flows:

	<u>For the year ended 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Net cash (used in) generated from operating activities	(113,707)	44,142	(87,222)
Net cash used in investing activities . . . . .	(90,065)	(27,990)	(465,338)
Net cash generated from financing activities . . . . .	<u>200,576</u>	<u>4,193</u>	<u>537,110</u>
Net (decrease) increase in cash and cash equivalents .	(3,196)	20,345	(15,450)
Cash and cash equivalents at beginning of the year . .	<u>4,019</u>	<u>823</u>	<u>21,168</u>
Cash and cash equivalents at end of the year . . . . .	<u><u>823</u></u>	<u><u>21,168</u></u>	<u><u>5,718</u></u>

### *Operating activities*

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of deposits and proceeds for our property development and rental income. Our cash outflow used in operating activities was principally for acquisition of properties and payment for construction costs.

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For the year ended 31 December 2015, our Group had net cash used in operating activities of approximately HK\$87.2 million, mainly as a result of the profit before tax of approximately HK\$42.1 million generated in this year, which was primarily adjusted for (i) gain on fair value of investment properties of approximately HK\$16.4 million; (ii) increase in stakeholders' account of approximately HK\$51.4 million attributable to deposit received from pre-sales of The Star; (iii) increase in properties held for sale of approximately HK\$36.0 million due to increase in costs capitalised for The Star and CWK Property; and (iv) increase in other receivables of approximately HK\$22.1 million mainly due to prepaid commission to our estate agents for sale of properties and for presold properties of The Star. This was partially offset by increase in trade and other payables of approximately HK\$32.3 million mainly due to deposits received in advance for our pre-sold properties of The Star.

For the year ended 31 December 2014, our Group had net cash generated from operating activities of HK\$44.1 million, mainly as a result of the profit before tax of approximately HK\$232.7 million generated during the same year, which was primarily adjusted for (i) gain on fair value of investment properties of approximately HK\$12.0 million; and (ii) decrease in other receivables of approximately HK\$4.8 million mainly as a result of decrease in prepaid commission to our estate agents for sale of properties of approximately HK\$5.3 million as most of the pre-sold properties of The Galaxy was recognised as expenses during the year ended 31 December 2014. This was partially offset by (i) increase in properties held for sale of approximately HK\$90.1 million mainly due to acquisition of CWK Property of approximately HK\$190.2 million and increase in cost capitalised for The Star but decrease in properties held for sale of The Galaxy of approximately HK\$141.2 million as properties were sold and delivered to our customers during the year ended 31 December 2014; (ii) decrease in trade and other payables of approximately HK\$82.0 million mainly due to decrease in deposits received in advance for our pre-sold workshop units of The Galaxy of approximately HK\$101.7 million; and (iii) increase in stakeholders accounts of approximately HK\$10.5 million due to proceeds from pre-sold workshop units of The Galaxy.

For the year ended 31 December 2013, our Group had net cash used in operating activities of approximately HK\$113.7 million, mainly as a result of the profit before tax of approximately HK\$16,000 generated during the same year, which was primarily adjusted for (i) gain on fair value of investment properties of approximately HK\$5.1 million; (ii) increase in properties held for sale of approximately HK\$266.7 million due to increase in costs capitalised for The Galaxy and The Star; and (iii) increase in other receivables of approximately HK\$6.0 million mainly due to prepaid commission to our estate agents for sale of properties for pre-sold workshop units of The Galaxy. This was partially offset by increase in trade and other payables of approximately HK\$166.5 million mainly due to deposits received in advance for our pre-sold workshop units of The Galaxy.

### *Investing activities*

During the Track Record Period, our cash inflow from investing activities was principally due to decrease in amounts due from our related companies. Our cash outflow used in investing activities was principally for increase in amounts due from our related companies and payment for our investment properties under development.

For the year ended 31 December 2015, our Group had net cash used in investing activities of approximately HK\$465.3 million primarily attributable to additions to our investment properties of approximately HK\$472.4 million through acquisition of Yue Fung Property.

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## FINANCIAL INFORMATION

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For the year ended 31 December 2014, our Group had net cash used in investing activities of approximately HK\$28.0 million primarily attributable to advance to a Director and related companies of approximately HK\$105.7 million and HK\$8.9 million, respectively. The amount was partially offset by repayment from our related companies of approximately HK\$90.5 million.

For the year ended 31 December 2013, our Group had net cash used in investing activities of HK\$90.1 million primarily attributable to advances to our related companies of approximately HK\$91.5 million and additions to our investments properties under construction for The Galaxy Parking Spaces of approximately HK\$4.6 million. The amount was partially offset by the repayment from related companies of approximately HK\$6.0 million.

### *Financing activities*

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from bank borrowings and advances from related companies and Directors. Our cash outflow used in financing activities was principally for the repayment of bank borrowings, to related companies and directors and payment of dividends.

For the year ended 31 December 2015, our Group had net cash generated from financing activities of approximately HK\$537.1 million primarily attributable to (i) bank borrowings of approximately HK\$280.6 million raised; and (ii) advance from our Directors of approximately HK\$266.3 million received which were raised for acquisition of Yue Fung Property. This was partially offset by interest payment of approximately HK\$10.0 million.

For the year ended 31 December 2014, our Group had cash generated from financing activities of approximately HK\$4.2 million primarily attributable to (i) advance from our Directors of approximately HK\$122.4 million for the acquisition of our CWK Property; (ii) bank borrowings of approximately HK\$117.8 million raised for the development of The Star; and (iii) increase in advances from related companies of approximately HK\$7.3 million. This was partially offset by (i) dividend payment of HK\$90.0 million; (ii) repayment of loans to related companies of approximately HK\$75.4 million; (iii) repayment of bank borrowings of approximately HK\$66.6 million; and (iv) interest paid of approximately HK\$16.3 million for our bank borrowings.

For the year ended 31 December 2013, our Group had net cash generated from financing activities of approximately HK\$200.6 million primarily attributable to (i) bank borrowings of approximately HK\$113.9 million raised; (ii) increase in loans from related companies of approximately HK\$72.3 million; and (iii) advance from our Directors of approximately HK\$22.7 million received, which were raised for property development of The Galaxy. This was partially offset by interest payment of approximately HK\$8.4 million.

## FINANCIAL INFORMATION

### Current assets and current liabilities

We recorded net current liabilities of approximately HK\$16.3 million, HK\$356.6 million and HK\$362.0 million as at 31 December 2013 and 2015 and 30 April 2016, respectively, and net current assets of approximately HK\$92.1 million as at 31 December 2014. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at
	2013	2014	2015	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
<b>Current assets</b>				
Properties held for sale . . . . .	377,053	483,491	528,269	585,792
Trade and other receivables . . . . .	6,047	1,219	23,277	26,380
Amount due from related companies . . . . .	90,269	8,427	1,819	1,939
Amount due from a director . . . . .	—	105,739	—	—
Stakeholder's account . . . . .	56	10,522	61,875	86,716
Bank balances and cash . . . . .	823	21,168	5,718	9,390
	474,248	630,566	620,958	710,217
<b>Current liabilities</b>				
Trade and other payables . . . . .	167,923	85,889	118,192	202,480
Amounts due to related companies . . . . .	5	7,266	7,414	—
Amounts due to directors . . . . .	83,029	205,418	365,997	382,973
Tax liabilities . . . . .	—	35,678	1,119	867
Short-term borrowings . . . . .	239,623	204,224	484,861	485,881
	490,580	538,475	977,583	1,072,201
<b>Net current (liabilities) assets . . . . .</b>	<b>(16,332)</b>	<b>92,091</b>	<b>(356,625)</b>	<b>(361,984)</b>

Our Group recorded net current liabilities of approximately HK\$16.3 million as at 31 December 2013 mainly due to the receipts in advance from workshop units pre-sold and the use of the short-term bank borrowings to finance the development of The Galaxy. The financial position turned around to a net current assets of approximately HK\$92.1 million as at 31 December 2014 after the completion of the development of The Galaxy. The increase of net current assets was mainly due to (i) increase in properties held for sale of approximately HK\$106.4 million mainly due to acquisition of CWK Property and cost capitalised for The Star; (ii) increase in amount due from a Director of approximately HK\$105.7 million, which was completely offset by an increase of the amount due to Directors of approximately HK\$122.4 million; (iii) decrease in trade and other payables of approximately HK\$82.0 million mainly due to decrease in deposits received for The Galaxy being recognised as revenue; (iv) increase in bank balance and cash of approximately HK\$20.3 million mainly due to the receipts received from our sale of workshop units of The Galaxy; and (v) increase in stakeholder's account of approximately HK\$10.5 million from pre-sale of workshop units of The Galaxy. The net current assets was partially offset by the decrease in amounts due from related companies of approximately HK\$81.8 million due to settlement.



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Our Group recorded net current liabilities of approximately HK\$356.6 million as at 31 December 2015. This was primarily due to (i) the balance of long-term bank loans due after one year of approximately HK\$415.7 million which contain repayment on demand clause; and (ii) amounts due to Directors of approximately HK\$366.0 million, of which approximately HK\$190.0 million will be capitalised upon Listing and we have the right to defer the repayments of the remaining balance. The increase in the borrowings as at 31 December 2015 was mainly due to acquisition of the Yue Fung Property in July 2015.

During the Track Record Period, in view of the business nature of property development (i.e. long development cycle and capital intensive), we were prone to fluctuation in the net position of our current assets and current liabilities. During the Track Record Period, we financed our non-current assets such as investment properties mainly with bank borrowings, which were long term loans with specified repayment dates but subject to a repayable on demand clause. As a result of such clause, the bank borrowings were classified as current liabilities. However, we have not received any demand for early repayment of our bank borrowings. Amounts due to Directors and related companies were without any specified repayment date. Thus, our net current liabilities incurred when our properties were classified as investment properties which is non-current assets.

Our Group's unaudited net current liabilities increased to approximately HK\$362.0 million as at 30 April 2016. The increase was primarily due to the increase in accrued construction costs of approximately HK\$84.3 million and the amounts due from the Directors of approximately HK\$17.0 million for the construction of The Star. The increase was partially offset by the increase in properties held for sales of approximately HK\$57.5 million which was mainly due to the increased costs capitalised through construction and increase in stakeholders' accounts of approximately HK\$24.8 million as further deposits were from pre-sale of The Star.

Our Directors have given careful consideration to the going concern of our Group in light of the fact that we had net current liabilities of approximately HK\$356.6 million as at 31 December 2015. Our Group's ability to continue as a going concern is dependent on the ongoing availability of funds to our Group. Mr. Joe Chan and Mr. Jack Lam, two of our Directors, have agreed not to demand for repayment of the balances of approximately HK\$346.0 million and HK\$20.0 million due to them respectively as at 31 December 2015 until our Group has the financial ability to do so. On 17 March 2016, we obtained a banking facility granting an aggregate sum of approximately HK\$430 million which will be available to be drawn down upon Listing. As at 30 April 2016, our amounts due to Directors, namely Mr. Joe Chan and Mr. Jack Lam, amounted to approximately HK\$383 million, of which approximately HK\$193 million is intended to be repaid by drawing down part of the aforesaid banking facility upon Listing while the remaining balance of approximately HK\$190 million will be capitalised in proportion to their respective shareholding interests in our Company upon Listing. Taken into account the above considerations, our Directors are of the opinion that we will have sufficient funds to meet in full our financial obligations as and when they fall due.

Though we recorded net current liabilities as at 31 December 2015, our Directors are of the view that we are able to meet our working capital and liquidity requirement for at least the next 12 months as we will (i) realise approximately HK\$714.1 million upon the delivery of the properties of The Star before first quarter of 2017; (ii) repay part of the amounts due to Directors upon Listing; (iii) capitalise

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part of the amounts due to Directors of approximately HK\$190.0 million upon Listing; and (iv) restructure our bank borrowings with certain banks and release the repayment on demand clause for approximately HK\$216.7 million.

See “Indebtedness” in this section for details of the restructuring of our bank borrowings.

### Working capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Our Directors are not aware of any other factors that would have a material impact on our Group’s liquidity. See “Future Plans and Use of Proceeds” in this prospectus for details of the funds necessary to meet our existing operations and to fund our future plans.

## DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

### Investment properties

Investment properties represented the properties held by our Group for generating rental income. Our investment properties amounted to approximately HK\$19.3 million, HK\$34.6 million and HK\$523.5 million as at 31 December 2013, 2014 and 2015, respectively. The amount recorded was based on the fair value arrived at by JLL and were accounted for in accordance with applicable accounting standards. The following table sets out the fair value of our individual investment properties as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
<b>Investment properties under construction at costs</b>			
The Star Parking Spaces . . . . .	3,260	—	—
<b>Investment properties under construction at fair value</b>			
The Galaxy Parking Spaces . . . . .	16,060	—	—
The Star Parking Spaces . . . . .	—	13,090	21,770
	<u>16,060</u>	<u>13,090</u>	<u>21,770</u>
<b>Completed investment properties at fair value</b>			
The Galaxy Parking Spaces . . . . .	—	21,510	28,680
<b>Investment properties pending alterations and additions works at fair value</b>			
Yue Fung Property . . . . .	—	—	473,000
	<u>19,320</u>	<u>34,600</u>	<u>523,450</u>

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Our investment properties increased to approximately HK\$34.6 million as at 31 December 2014 from approximately HK\$19.3 million as at 31 December 2013. The increase was mainly due to (i) addition in costs and increase in fair value gain from The Galaxy Parking Spaces of approximately HK\$2.3 million and HK\$3.2 million, respectively; and (ii) addition in costs and increase in fair value gain from The Star Parking Spaces of approximately HK\$1.1 million and HK\$8.8 million, respectively. As at 31 December 2013, the fair value of The Star Parking Spaces, an investment properties under construction, with carrying amounts of approximately HK\$3.3 million, the fair value of which were not reliably determinable, therefore, these investment properties under construction were measured at cost until either its fair value becomes reliably determinable or construction is completed. During the year ended 31 December 2014, such investment properties under construction were constructed to a level that the fair value can be reliably determined.

Our investment properties further increased to approximately HK\$523.5 million as at 31 December 2015. The increase was mainly due to (i) increase in fair value gain from The Galaxy Parking Spaces of approximately HK\$7.2 million; (ii) addition in costs and increase in fair value gain from The Star Parking Spaces of approximately HK\$1.5 million and HK\$7.2 million, respectively; and (iii) acquisition costs and increase in fair value gain from Yue Fung Project of approximately HK\$471.0 million and HK\$2.0 million, respectively. For details of the status of the Yue Fung Project, see “Business — Projects under development — Yue Fung Project” in this prospectus.

As at 31 December 2015, our Yue Fung Project with fair value of approximately HK\$473.0 million was under the application of revitalisation and was subject to the approval of the government authority. On 28 January 2016, we received a letter from the government to consider the application of revitalisation.

### Valuation methodologies

The Property Valuer adopted two valuation methodologies, namely the residual approach and direct comparison approach, in valuing our investment properties. The valuation methodologies adopted depend on the nature and status of each property as at the valuation date. The different valuation methodologies adopted are in line with market practice as they are commonly used in valuing similar properties.

The valuations of completed investment properties and investment properties pending alterations and additions works were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The fair value of investment properties under construction has been arrived at using market evidence of transaction prices for similar properties in the same locations and conditions, taking into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. The following table sets forth the valuation methodologies adopted for each of our investment properties as at the dates indicated:

	As at 31 December		
	2013	2014	2015
<b>Investment properties</b>			
The Galaxy Parking Spaces. . .	Residual approach	Direct comparison approach	Direct comparison approach
The Star Parking Spaces. . . .	N/A	Residual approach	Residual approach

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Yue Fung Property . . . . .	N/A	N/A	Direct comparison approach
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### *Residual approach*

Under the relevant valuation standards, for the residual method, fair value of investment properties under construction is determined with reference to comparable sales evidence as available on the market less the expected construction cost estimated to complete and due allowances for developer's profit with the assumption that the property would have been completed in accordance with similar class commercial development in the region.

### *Direct comparison approach*

Under the relevant valuation standards, the property valuer considers to adopt the direct comparison approach as appropriate depending on the availability of the comparable properties. Properties are valued on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise with the benefit of vacant possession. Where direct comparison approach is adopted, the property valuer has considered the prices realised or current asking prices of selected comparable properties of similar size, character and location, and analysed and weighed against the advantages and disadvantages of each property in arriving at a fair value.

The property valuers have confirmed that the above key assumptions adopted by the property valuers are in accordance with the Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and/or Royal Institution of Chartered Surveyors. After reviewing the assumptions adopted by the property valuers, our Company and Directors consider the assumptions are made on a reasonable basis.

### **Deferred tax assets**

Our deferred tax assets represented the unutilised tax loss recognised for offsetting against future profits and have no expiry of time. Our deferred tax assets amounted to approximately HK\$0.7 million, nil and approximately HK\$0.5 million as at 31 December 2013, 2014 and 2015, which were recognised in respect of tax losses of HK\$4.1 million, nil and HK\$3.2 million at applicable tax rate of 16.5% for the respective year. Such tax losses was attributable to Bright Port and Fountain Inc for the year ended 31 December 2013 and 2015, respectively. Such losses was recognised as deferred tax assets as such losses can be utilised upon the sales of workshop units of The Galaxy and The Star, respectively. Thus, the balance decreased during the Track Record Period as it was utilised through profits generated from it.

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### Properties held for sale

Our properties held for sale are completed development properties that remained unsold as at each reporting date or properties under development which we intend to sell but development have not been completed. The following table sets out the list of properties held for sale as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Completed property</b>			
The Galaxy	—	58,889	19,847
<b>Properties under development</b>			
The Galaxy	200,086	—	—
The Star	176,967	234,400	315,509
CWK Property	—	190,202	192,913
	<u>377,053</u>	<u>424,602</u>	<u>508,422</u>
Total	<u><u>377,053</u></u>	<u><u>483,491</u></u>	<u><u>528,269</u></u>

Our properties held for sale increased to approximately HK\$483.5 million as at 31 December 2014 from approximately HK\$377.1 million as at 31 December 2013 which was mainly due to (i) increase of approximately HK\$58.9 million from the 23 unsold units of the completed project of The Galaxy as at 31 December 2014; and (ii) increase of properties approximately HK\$47.5 million as a result of increasing costs capitalised for The Star; and acquisition of our CWK Property which amounted to approximately HK\$190.2 million as at 31 December 2014. The increase was partially offset by the decrease in The Galaxy of approximately HK\$141.2 million as it was partially sold during the year ended 31 December 2014.

Our properties held for sale increased to approximately HK\$528.3 million as at 31 December 2015. The increase was mainly due to (i) increase in costs capitalised for The Star and CWK Property due to constructions of approximately HK\$81.1 million and HK\$2.7 million, respectively. The increase was partially offset by the decrease in amount for The Galaxy of approximately HK\$39.0 million as 14 units were sold in the year ended 31 December 2015.

As at 31 January 2016, approximately HK\$7.6 million or 38.4% of completed units in our properties held for sale as at 31 December 2015 were sold.

### Trade and other receivables

#### *Trade receivables*

Our Group had no trade receivables at 31 December 2013 and 2014. Our trade receivables of approximately HK\$0.5 million as at 31 December 2015 was attributable to trade receivables from rental income. We generally offers no credit term to our tenants as all rent were received in advance. However, certain tenants paid some days after the due date as at 31 December 2015. Thus, trade receivables of approximately HK\$0.5 million was noted. The amount was past due but not impaired and the amount was fully settled subsequently.

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Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. During the Track Record Period, we did not have any material trade receivables.

### *Other receivables*

Our other receivables mainly comprise prepaid property agent commission and deposits and prepaid expenses for our daily operation. The following table sets forth the breakdown of our other receivables as at the dates indicated.

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits and other receivables . . . . .	40	519	1,906
Prepayments			
— Prepaid property agent commission . . . . .	6,007	700	15,511
— Prepaid listing fees . . . . .	—	—	4,305
— Other prepayments . . . . .	—	—	1,023
	<b>6,047</b>	<b>1,219</b>	<b>22,745</b>

Our other receivables decreased from approximately HK\$6.0 million as at 31 December 2013 to approximately HK\$1.2 million as at 31 December 2014 that was mainly due to decrease in prepaid property agent commission for The Galaxy from approximately HK\$6.0 million as at 31 December 2013 to approximately HK\$0.7 million as at 31 December 2014 as the amount was recognised in the profit and loss account upon completion of sale transactions. Our other receivables then increased to approximately HK\$22.7 million as at 31 December 2015 which was mainly attributable to increase in prepaid commission of approximately HK\$14.8 million for the pre-sales of The Star and increase in prepaid Listing fees of approximately HK\$4.3 million.

### **Stakeholder's account**

Our Stakeholder's account amounted to approximately HK\$56,000, approximately HK\$10.5 million and approximately HK\$61.9 million as at 31 December 2013, 2014 and 2015, respectively. The amounts comprise a stakeholder's account which is held by an independent intermediary on our Company's behalf for collecting deposits and further payments received from the pre-sale of our units. The amounts are interest bearing at market interest rate. The amount will be released to settle the construction costs or repay our bank loans in respect of the amounts received. The amount increased to approximately HK\$10.5 million as at 31 December 2014 from approximately HK\$56,000 as at 31 December 2013 mainly due to the timing of release from pre-sale of workshop units of The Galaxy. The amount further increased to approximately HK\$61.9 million mainly due to proceeds from pre-sale of The Star.

### **Bank balances and cash**

The bank balances comprise cash held by our Group and short-term bank deposits with an original maturity of three months or less. The amount increased to approximately HK\$21.2 million as at 31 December 2014 from approximately HK\$0.8 million as at 31 December 2013 mainly due to the sales

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receipts of The Galaxy. The amount then decreased to approximately HK\$5.7 million mainly as a result of acquisition of Yue Fung Property and construction of The Star. See “Liquidity and Capital Resources — Cash Flow” in this section for details of the changes in bank balances and cash.

### Trade and other payables

Trade and other payables as at 31 December 2013, 2014 and 2015 were approximately HK\$167.9 million, HK\$85.9 million and HK\$118.2 million, respectively, of which a breakdown is set out below:

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables . . . . .	—	8,220	—
Retention payables . . . . .	9,390	8,226	10,618
Receipts in advance from pre-sale properties . . . . .	138,997	37,261	71,360
Deposit received . . . . .	—	630	4,073
Accrued construction costs . . . . .	17,611	28,496	30,191
Others . . . . .	1,925	3,056	1,950
Total . . . . .	<u>167,923</u>	<u>85,889</u>	<u>118,192</u>

### Trade payables

Our trade payables are derived primarily from payables relating to payment to our contractor for construction work. Our trade payables as at 31 December 2014 represented the amount billed by our contractors for construction work but not yet paid. The timing of billing depends on the progress of construction and it may vary at different point of time. As such, our trade payables amounted to nil, approximately HK\$8.2 million and nil as at 31 December 2013, 2014 and 2015, respectively.

Our suppliers in general grant us a credit term of up to 30 days. The table below sets forth, as at the end of reporting periods indicated, the aging analysis of our trade payables:

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1–30 days . . . . .	—	8,041	—
31–60 days . . . . .	—	179	—
Total . . . . .	<u>—</u>	<u>8,220</u>	<u>—</u>

The following table sets out the average trade payables turnover days for the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
Average turnover days of trade payables <sup>(Note)</sup> . . . . .	—	10	—

*Note:* Average turnover days of trade payables for each of the three years ended 31 December 2015 is derived by dividing the closing balance of trade payables for the respective year by cost of sales and multiplying the resulting value by 365 days.

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## FINANCIAL INFORMATION

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Since there was no trade payables as at 31 December 2013 and 2015, no trade payables turnover days for the year ended 31 December 2013 and 2015 was noted. The average trade payables turnover days was 10 days for the year ended 31 December 2014.

Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables.

### *Other payables*

Our other payables mainly represent receipts in advance from pre-sale, accrued construction costs and retention payables. Other payables decreased from approximately HK\$167.9 million as at 31 December 2013 to approximately HK\$77.7 million as at 31 December 2014, which was mainly attributable to (i) the decrease in receipts in advance from pre-sale properties of approximately HK\$101.7 million as they were recognised as revenue upon completion of the sales transaction; (ii) decrease in retention payables as the amount was partially released to our contractors after obtaining final approved accounts of the respective development for the year ended 31 December 2014. The decrease in other payables was partially offset by the increase in accrued construction costs of approximately HK\$10.9 million mainly for the development of The Star, for which the cost was incurred but our suppliers had not billed us yet. Other payables then increased to approximately HK\$118.2 million as at 31 December 2015, which was mainly attributable to increase in receipts in advance of approximately HK\$34.1 million which was entirely from pre-sale of 281 units of The Star.

### **Amounts due from/to related companies**

Our amounts due from/to related companies mainly arose from advances received from/advances paid to our related companies. As at 31 December 2013, 2014 and 2015, the amounts due from related companies amounted to approximately HK\$90.3 million, HK\$8.4 million and HK\$1.8 million, respectively. The decrease in amounts due from related companies of approximately HK\$81.9 million as at 31 December 2014 was mainly due to the refund of deposit paid for agency and marketing services from a related party. Such arrangement had not taken into place and thus such deposit was refunded during the year ended 31 December 2014. For the decrease as at 31 December 2015, it was mainly due to repayment of the amount.

As at 31 December 2013, 2014 and 2015, the amounts due to related companies were HK\$5,000, approximately HK\$7.3 million and approximately HK\$7.4 million, respectively. The increase was mainly due to increase in amount due to a related party of approximately HK\$6.5 million during the year ended 31 December 2014 and remained relatively stable for the year ended 31 December 2015.

All our amounts due from related companies were unsecured, interest-free and had no fixed terms of repayment. All the amounts due from/to related companies, which are non-trade in nature, will be settled upon Listing. While the amounts due to a related company which is trading in nature, will be settled in accordance with respective normal credit terms. See Notes 21 and 25 to the Accountants' Report in Appendix I to this prospectus for further details of related companies balances.

### **Amounts due from/to Directors**

Our amounts due from/to Directors arose from advances received from/advances paid to our Directors by our different subsidiaries and the net amount of which was used mainly to finance the acquisition of properties. As at 31 December 2013, 2014 and 2015, the amounts due from Directors



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## FINANCIAL INFORMATION

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amounted to nil, approximately HK\$105.7 million and nil, respectively, while the amounts due to Directors were approximately HK\$83.0 million, HK\$205.4 million and HK\$366.0 million, respectively. The increase in net amount due to Directors was mainly due to the acquisition of properties during the Track Record Period. Upon Listing, approximately HK\$190.0 million of the amounts due to Directors will be capitalised and the remaining balances will be replaced by bank loans upon Listing.

All our amounts due from Directors are unsecured, interest-free and repayable on demand. The amounts due to Directors are unsecured and interest-free, and the Directors have agreed not to demand for repayment of the balances due to them until our Group has the financial ability to do so. All the amounts due from/to Directors, which are non-trade in nature, will be settled upon Listing. See note 22 to the Accountants' Report in Appendix I to this prospectus for further details of the amounts due to/from Directors.

### **Tax liabilities**

There was no tax liabilities as at 31 December 2013 as no assessable profit was available for the year ended 31 December 2013. Our tax liabilities amounted to approximately HK\$35.7 million as at 31 December 2014 which represented the profit tax payables for the year ended 31 December 2014. The tax liabilities decreased to approximately HK\$1.1 million as at 31 December 2015 which was in line with decrease in tax provision for the year ended 31 December 2015.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

### **CAPITAL EXPENDITURES**

Our Group's capital expenditures have principally consisted of expenditures on acquisitions and development of investment properties and property, plant and equipment in our operations. During the Track Record Period, our Group incurred capital expenditures of approximately HK\$4.6 million, HK\$4.1 million and HK\$472.6 million, respectively, majority of which came from acquisition and development of investment properties primarily used for generating rental income. Between 31 December 2015 and the Latest Practicable Date, we did not make any material capital expenditures.

For the year ending 31 December 2016, we estimate that the capital expenditures will amount to approximately HK\$10.8 million primarily for additional cost incurred for development of The Star.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. See "Future Plans and Use of Proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

## FINANCIAL INFORMATION

### CONTRACTUAL AND CAPITAL COMMITMENTS

#### Operating lease commitments

As at the end of the reporting periods during the Track Record Period, our Group had no commitments for future minimum lease payments as a lessee to third parties and the commitments for future minimum lease payments as a lessor in respect of the rental income under non-cancellable operating lease arrangements, are fall due as follows:

##### *As lessor*

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year . . . . .	—	3,460	11,472
In the second to fifth year inclusive . . . . .	—	3,136	15,118
Total . . . . .	<u>—</u>	<u>6,596</u>	<u>26,590</u>

At the end of the reporting period, we had commitments for future minimum lease payments to related companies under non-cancellable operating leases which fall due as follows:

##### *As lessee*

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year . . . . .	—	150	2,200

#### Capital commitments

We had the following capital commitments, which were not provided for in our combined financial statements:

	As at 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Contracted, but not provided for:</b>			
Expenditure in respect of the properties development project . . . . .	<u>195,038</u>	<u>28,381</u>	<u>158,299</u>

## FINANCIAL INFORMATION

### INDEBTEDNESS

The following table sets out our total debts as at 31 December 2013, 2014 and 2015 and 30 April 2016:

	As at 31 December			As at
	2013	2014	2015	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
<b>Long-term borrowings</b>				
Unsecured, unguaranteed, fixed-interest-rate loans from related companies . . . . .	—	18,722	21,530	22,600
<b>Short-term borrowings</b>				
Secured, guaranteed, variable-interest-rate bank borrowings . . . . .	152,946	204,224	484,861	485,881
Unsecured, fixed-interest-rate loans from related companies . . . . .	86,677	—	—	—
Total bank and other borrowings . . . . .	239,623	222,946	506,391	508,481
<b>Amounts due to Directors</b>				
Unsecured, unguaranteed and interest-free . . . . .	83,029	205,418	365,997	382,973
	<u>322,652</u>	<u>428,364</u>	<u>872,388</u>	<u>891,454</u>

All our amounts due to Directors were unsecured, unguaranteed and interest-free, and the Directors have agreed not to demand for repayment of the balances due to them until our Group has the financial ability to do so. All the amounts due to Directors, which are non-trade in nature, will be settled upon Listing. See note 22 to the Accountants' Report in Appendix I to this prospectus for further details of the amounts due to Directors.

The following table sets forth the repayment schedule of our bank and other borrowings as at 31 December 2013, 2014 and 2015 and 30 April 2016:

	As at 31 December			As at
	2013	2014	2015	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Within one year . . . . .	234,645	135,024	—	69,200
Between one to two years . . . . .	—	—	21,530	22,600
Between two to five years . . . . .	—	18,722	—	—
	234,645	153,746	21,530	91,800
Repayable after one year but contain repayment on demand clause . . . . .	4,978	69,200	484,861	416,681
	<u>239,623</u>	<u>222,946</u>	<u>506,391</u>	<u>508,481</u>

## FINANCIAL INFORMATION

The following table sets forth the repayment schedule of the scheduled payment terms of bank borrowings contain a repayment in demand clause (shown under current liabilities):

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year . . . . .	147,968	135,024	69,200	69,200
More than one year, but not exceeding two year . . . . .	4,978	69,200	198,941	198,941
More than two years, but not exceeding five years . . . . .	—	—	216,720	217,740
	<u>152,946</u>	<u>204,224</u>	<u>484,861</u>	<u>485,881</u>

The following table sets out the range of effective interest rates for our borrowings as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate borrowings . . . . .	15%	8–15%	15%	15%
Variable-rate borrowings . . . . .	<u>3.4%–3.7%</u>	<u>0.8%–3.5%</u>	<u>2.1%–3.6%</u>	<u>2.5%–3.8%</u>

The following table sets out the borrowings that were pledged with certain of our assets as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for sale. . . . .	377,053	424,602	508,422	571,404
Investment properties. . . . .	<u>19,320</u>	<u>13,090</u>	<u>494,770</u>	<u>496,430</u>

### Bank borrowings

The bank borrowings of our Group were guaranteed by our Group's certain Directors and a related company and pledged by certain assets of our Group. As at 30 April 2016, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding bank borrowings of approximately HK\$485.9 million which was guaranteed by our certain Directors and a related company and secured by certain assets of our Group. All of the guarantee will be released upon Listing. We believe that we will be able to fund our future operation with the proceeds from sales of our properties and Listing. Prior to the obtaining of a letter of confirmation from the relevant bank to remove the repayable on demand clause entirely from the loan agreement of one of our long-term bank loans in March 2016, our bank loans repayable after one year but contain repayment on demand clause, amounted to approximately HK\$5.0 million, approximately HK\$69.2 million, approximately HK\$484.9

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million and approximately HK\$485.9 million as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively, were classified as current liabilities for accounting purposes. However, we have not received any demand for early repayment of such bank loans. Upon the expected completion of The Star in the fourth quarter of 2016, we would be able to repay part of the loan by the sales proceeds as a result of the anticipated delivery of the units of The Star.

Our bank borrowings increased from approximately HK\$152.9 million as at 31 December 2013 to approximately HK\$204.2 million as at 31 December 2014. This was primarily attributable to bank borrowings raised of approximately HK\$117.8 million mainly for the acquisition of our CWK Property and repayment of bank borrowings of approximately HK\$66.6 million mainly due to the completion of construction of The Galaxy.

Our bank borrowings increased to approximately HK\$484.9 million as at 31 December 2015. This was primarily attributable to increase in new bank borrowings raised of approximately HK\$280.6 million mainly for acquisition of Yue Fung Property. The amount increased to approximately HK\$485.9 million as at 30 April 2016.

One of our five largest suppliers for the year ended 31 December 2013, Supplier D, was engaged by us as a financing consultant for negotiating with banks, handling the application process and making arrangements (including preparing the necessary documentations) on behalf of our Group in obtaining the bank borrowings or other financing for our Group. In particular, Supplier D was responsible for handling the application for the construction loan in respect of The Galaxy and the construction loan and land loan in respect of The Star. See “Business — Our Suppliers” in this prospectus for details of our relationship with Supplier D. Save for the loans mentioned above, all other bank borrowings of our Group during the Track Record Period, including the land loans and construction loans in relation to the CWK Project and Yue Fung Project, were obtained by our Group without engaging any financing consultant. The service fees paid to Supplier D for the three years ended 31 December 2015 amounted to approximately HK\$2.4 million, approximately HK\$0.8 million (which represented the final staged payment to Supplier D) and nil, respectively. Such service fees represent certain percentages of the relevant loan amounts, which were determined with reference to the credit terms and interest rates. As The Galaxy and The Star were our initial property development projects, we considered that it would be more efficient to engage such consultant to provide bank loan consultancy services to us in order to facilitate our negotiations and preparation of the necessary documentations involved in obtaining bank borrowings for land and construction loans at the relevant time. Thereafter, we obtained bank borrowings on our own without engaging any financing consultant. Also, for the land loan in relation to the CWK Project and the land and construction loans in relation to the Yue Fung Project, we were able to obtain the said loans at interest rates more favourable than those in relation to The Galaxy and The Star mainly due to our experience in property development and the then prevailing market interest rates. In addition, our Directors consider that if Supplier D had not been engaged, we would have been able to obtain bank borrowings at comparable interest rates assuming the then market conditions remained unchanged because we would have been able to provide the same extent of collateral(s) and guarantee, and same development plan on same or similar terms and conditions of the relevant banking facilities. However, the application for such loans would be less efficient without engaging such financing consultant. Having considered the above, our Company confirmed that we did not experience any difficulties in obtaining bank borrowings or other financing during the Track Record Period.

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We had obtained an indicative offer from the relevant bank to remove the repayable on demand clause for certain portion of loan in the event of successful listing, and thereafter, any outstanding balance of such loan, which amounted to approximately HK\$216.7 million as at 31 December 2015 will be classified as non-current liabilities as at 31 December 2016 in accordance with repayment term of such loan. In obtaining the letter of confirmation from the relevant bank to remove the repayable on demand clause, no consideration was paid to the relevant bank and there was no impact on the interest rate of this loan as a result of removing such clause.

As at 30 April 2016, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of approximately HK\$748.1 million, of which approximately HK\$262.2 million was unutilised. We are not committed to draw down the unutilised amount. As at 30 April 2016, we have provided guarantee of approximately HK\$100.0 million to secure a banking facility granted to a related company and the Directors confirm that such guarantee will be released upon the Listing. Apart from such guarantee given, we did not have any material contingent liabilities or guarantee.

Our Directors confirm that during the Track Record Period, we did not experience any difficulties in obtaining bank or other borrowings and we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. During the Track Record Period, our relevant subsidiaries (“**Borrowing Subsidiary(ies)**”) entered into separate loan agreements with various Hong Kong commercial banks pursuant to which our Borrowing Subsidiaries were granted separate loan facilities. Under the loan agreements, our Borrowing Subsidiaries are generally subject to certain restrictive affirmative and/or negative covenants which are customary in loan agreements for property development in Hong Kong. These include restricting our Borrowing Subsidiaries from carrying out merger, restructuring, change of control, allotment and issue of new shares, declaration of dividends and creating any mortgages, debenture or charge without the prior consent of our lenders. Our Borrowing Subsidiaries are also subject to negative undertakings, such as, without the approval from the banks, prohibition from (i) entering into any pre-sales of the property; (ii) pre-letting, lease or make any arrangement for the sharing of the property; (iii) make loans, give credit advance money, guarantee or indemnify the liability of any person. Our Borrowing Subsidiaries also undertake not to do anything which is in contravention of any planning or building law. However, our Directors do not expect that such covenants will materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our current business plans as only our relevant Borrowing Subsidiaries are subject to the covenants under the relevant loan agreements, and given the fact that we set up a new project company for each of the new development projects and the project company will obtain the relevant banking facilities for its development project, which are in line with industry norm, therefore the relevant covenants will not affect corporate actions (such as allotment and issue of new Shares and declaration of dividend) of our Company.

For risks associated with restrictive covenants, please see “Risk Factors — Our relevant subsidiaries are subject to certain restrictive covenants and certain risks associated with debt financing which may limit or otherwise adversely affect our operations.” We did not have any breach of material covenants during the Track Record Period. As at the date of this prospectus, we did not have any plan for material external debt financing.

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## FINANCIAL INFORMATION

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We adopt a treasury policy which sets out the overall principles as well as detailed approval processes of our cash flow forecast and financing activities. Such policy includes, among other things, the followings:

- at the end of each month, Ms. Cheung Wai Shuen, our Director and company secretary and the finance and corporate planning managing director of Star Properties (HK), should prepare the cash flows forecast at the company level to predict the expected cash receipts and cash expenditures for the following two months;
- the cash flows forecast should be submitted to Mr. Joe Chan, our chairman, executive Director and chief executive officer, for review and approval;
- after assessing the need of financing, upon the verbal approval of Mr. Joe Chan, our chairman, executive Director and our chief executive officer, Ms. Cheung Wai Shuen, our Director and company secretary and the finance and corporate planning managing director of Star Properties (HK) should seek quotations for loan facilities from banks;
- our Board should be responsible for approving the loan application;
- the approval of the loan application should be documented in the board minutes;
- Mr. Joe Chan, our chief executive officer, should be responsible for signing the loan agreement with bank;
- we will not invest in high volatility investment; and
- our Directors should be notified if any of the following events occurred:
  - the market value of the investment drops by 5% of the total investment cost;
  - there is significant rating downgrade of the investment.

We have engaged Baker Tilly Hong Kong Risk Assurance Limited (“**Baker Tilly**”) to conduct internal control review and assurance review on (among other things) the adequacy and effectiveness of our Group’s treasury policy including the overall principles and the approval process of our cash flow forecast and financing activities. Baker Tilly is of the view that the treasury policy of our Group has been adequately and effectively implemented.

## FINANCIAL INFORMATION

### Loans from related companies

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Crystal Harbour Development Limited	8,140	9,361	10,765	11,300
South Project Investment Limited . . .	8,140	9,361	10,765	11,300
Sunny Generation Limited . . . . .	35,199	—	—	—
Vogue Town Limited . . . . .	35,198	—	—	—
Galaxy China Property Fund SPC . . .	—	—	—	—
	<u>86,677</u>	<u>18,722</u>	<u>21,530</u>	<u>22,600</u>

Our loans from related companies decreased from approximately HK\$86.7 million as at 31 December 2013 to approximately HK\$18.7 million as at 31 December 2014. This was primarily attributable to repayment of bank loans of approximately HK\$70.4 million after completion of The Galaxy. The remaining loans as at 31 December 2014 was compounded with interest rate at 15% per annum with a maturity date of 30 June 2017.

Our loans from related companies increased to approximately HK\$21.5 million as at 31 December 2015. This was primarily attributable to accrued interest of loans from related companies.

Our loans from related companies increased to approximately HK\$22.6 million as at 30 April 2016. This was primarily attributable to accrued interest of loans from related companies.

All loans from related companies will be settled upon Listing.

### Amounts due to Directors

See “Financial Information — Description of certain items of combined statements of financial position — Amounts due from/to Directors” for further details.

### Contingent liabilities

As at 30 April 2016, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

As of 30 April 2016, being the latest practicable date for the purpose of the indebtedness statement, apart from intra-group liabilities and the guarantee provided as disclosed in this section, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

### OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.



## FINANCIAL INFORMATION

### TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we had material related party transaction with a related companies who was engaged as the main contractor of our property development projects. The construction costs amounted to approximately HK\$87.1 million, approximately HK\$157.9 million and nil for the three years ended 31 December 2015, respectively. The construction costs was arrived at based on tender agreement which is open to a number of contractors.

We also sold property to our related companies for the year ended 31 December 2014 with revenue recognised amounted to approximately HK\$27.7 million. The property was sold at estimated cost at the time of sales.

Save as the material related party transactions disclosed above and with respect to the other less material related party transactions set out in the Accountants' Report in Appendix I to this prospectus, our Directors also confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 December		
	2013	2014	2015
Gross profit margin (%) <sup>(1)</sup> . . . . .	—	48.4	45.7
Net profit margin (%) <sup>(2)</sup> . . . . .	—	32.1	47.2
Return on equity (%) <sup>(3)</sup> . . . . .	6.2	180.5	25.3
Return on total assets (%) <sup>(4)</sup> . . . . .	0.05	29.5	3.2
	As at 31 December		
	2013	2014	2015
Current ratio <sup>(5)</sup> . . . . .	1.0	1.2	0.6
Gearing ratio (%) <sup>(6)</sup> . . . . .	6,531.0	205.3	345.8
Net debt to equity ratio (%) <sup>(7)</sup> . . . . .	6,508.6	185.8	341.9
Debt-to-asset ratio (%) <sup>(8)</sup> . . . . .	48.3	30.3	43.7

*Notes:*

- (1) Gross profit margin for the three years ended 31 December 2015 was calculated on gross profit divided by turnover for the respective years. See "Review of Historical Results of Operation" in this section for more details on our gross profit margins.
- (2) Net profit margin for the three years ended 31 December 2015 was calculated on profit for the year divided by turnover for the respective years. See "Review of Historical Results of Operation" in this section for more details on our net profit margins.
- (3) Return on equity for the three years ended 31 December 2015 was calculated based on the profit for the year for the respective years divided by the total equity as at the respective years and multiplied by 100%.

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- (4) Return on total assets for the three years ended 31 December 2015 was calculated based on the net profit for the respective years divided by the total assets of the respective years and multiplied by 100%.
- (5) Current ratios as at 31 December 2013, 2014 and 2015 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
- (6) Gearing ratios as at 31 December 2013, 2014 and 2015 were calculated based on the total interest-bearing borrowings as at the respective dates divided by total equity as at the respective years and multiplied by 100%.
- (7) Net debt to equity ratios as at 31 December 2013, 2014 and 2015 was calculated based on net debts (being total borrowings net of cash and cash equivalents) as at the respective dates divided by total equity as at the respective years.
- (8) Debt-to-asset ratio as at 31 December 2013, 2014 and 2015 was calculated based on the total net debt divided by total assets as at the respective years.

### **Return on equity**

Our return on equity was approximately 6.2%, 180.5% and 25.3% for the year ended 31 December 2013, the year ended 31 December 2014 and the year ended 31 December 2015, respectively. The increase for the year ended 31 December 2014 compared to the year ended 31 December 2013 was mainly due to (i) increase in profit for the year of approximately HK\$195.9 million upon completion of The Galaxy and revenue recognition commenced for the year ended 31 December 2014 and (ii) a smaller magnitude of increase in total equity. The decrease for the year ended 31 December 2015 compared to the year ended 31 December 2014 was mainly due to (i) decrease in profit for the year of approximately HK\$159.0 million mainly due to decreased number of properties sold in the year ended 31 December 2015; and (ii) increase in total equity mainly due to the accumulation of reserves.

### **Return on total assets**

Our return on total assets was approximately 0.05%, 29.5% and 3.2% for the year ended 31 December 2013, the year ended 31 December 2014 and the year ended 31 December 2015, respectively. The increase for the year ended 31 December 2014 compared to the year ended 31 December 2013 was mainly due to (i) increase in profit for the year of approximately HK\$195.9 million upon completion of The Galaxy and revenue recognition commenced for the year ended 31 December 2014 and (ii) a smaller magnitude of increase in total equity. The decrease for the year ended 31 December 2015 compared to the year ended 31 December 2014 was mainly due to (i) decrease in profit for the year of approximately HK\$159.0 million mainly due to decreased number of properties sold in the year ended 31 December 2015; and (ii) increase in total equity mainly due to the accumulation of reserves.

### **Current ratio**

Our current ratio was 1.0, 1.2 and 0.6 as at 31 December 2013, 2014 and 2015, respectively. The increase of current ratio as at 31 December 2014 compared to that as at 31 December 2013 was mainly due to increase in bank balances and cash due to sales proceeds from The Galaxy. The decrease for the year ended 31 December 2015 compared to the year ended 31 December 2014 was mainly due to increase in bank borrowings to finance our acquisition of our Yue Fung Property which is classified as non-current asset.

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## FINANCIAL INFORMATION

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### **Gearing ratio**

Our gearing ratio was approximately 6,531.0%, 205.3% and 345.8% for the three years ended 31 December 2015, respectively. The decrease in our gearing ratio as at 31 December 2014 compared to that as at 31 December 2013 was mainly due to accumulation of equity from profit mainly derived from sale of workshop units of The Galaxy. The increase in gearing ratio for as at 31 December 2015 was mainly due to increase in borrowings for acquisition of Yue Fung Property.

### **Net debt to equity ratio**

Our net debt to equity ratio was approximately 6,508.6%, 185.8% and 341.9% as at the year ended 31 December 2013, 2014 and 2015. The decrease in our net debt to equity ratio as at 31 December 2014 compared to that as at 31 December 2013 was mainly due to accumulation of equity from profit mainly derived from sale of workshop units of The Galaxy. The increase in net debt to equity ratio as at 31 December 2015 was mainly due to increase in borrowings for acquisition of Yue Fung Property.

### **Debt-to-asset ratio**

Our debt-to-asset ratio was approximately 48.3%, 30.3% and 43.7% for the three years ended 31 December 2015, respectively. The slight decrease in our debt-to-asset ratio as at 31 December 2014 compared to that as at 31 December 2013 was mainly due to increase in bank balances and cash due to sales proceeds from The Galaxy; increase in assets from acquisition of CWK Property and increase in cost capitalised for The Star. The increase as at 31 December 2015 was mainly due to increase in borrowings for acquisition of Yue Fung Property.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed are set out in note (7b) to Accountants' Report, the text of which is set out in Appendix I to this prospectus.

## **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

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## FINANCIAL INFORMATION

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### PROPERTY INTERESTS AND PROPERTY VALUATION

Our Property Valuer, JLL, has valued the property interests of our Group at approximately HK\$1,333.3 million as at 30 April 2016. Texts of its letters, summary of valuation and valuation certificate to such property interests are set forth in Appendix III — “Property Valuation Report” to this prospectus.

The table below sets forth the reconciliation of the net book value of our Group’s property interests as at 31 December 2015 with the valuation of such interests as at 30 April 2016 as stated in Appendix III to this prospectus.

	<i>HK\$’000</i>
Net book value as at 31 December 2015	
Investment properties	523,450
Properties held for sale	<u>528,269</u>
Total combined net book value as at 31 December 2015	1,051,719
Net changes during the period from 1 January 2016 to 30 April 2016 ( <i>Note</i> )	<u>58,652</u>
<b>Total</b>	<b>1,110,371</b>
Add: Valuation surplus	<u>222,929</u>
Gross valuation as at 30 April 2016 as set out in “Appendix III — Property Valuation Report” to this prospectus	<u><u>1,333,300</u></u>

*Note:* Comprises additions and disposals during the period from 1 January 2016 to 30 April 2016.

### LISTING EXPENSES

Our Group expect that the total listing expenses, which is non-recurring in nature, will amount to approximately HK\$22.8 million (based on the mid-point of the indicative Offer Price range of HK\$1.62 per Offer Share and 56,000,000 Offer Shares). During the Track Record Period, approximately HK\$0.9 million was recognised in our combined statements of profit or loss and other comprehensive income. Our Group expect to recognise approximately HK\$14.2 million in the combined statements of profit or loss and comprehensive income for the year ending 31 December 2016; while approximately HK\$7.7 million to be directly attributable to the issue of new Shares and accounted for as a deduction from equity upon successful listing under the relevant accounting standards. Accordingly, the financial results of the Group for the year ending 31 December 2016 are expected to be affected by the estimated expenses in relation to the Listing. Such listing expenses is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 December 2016 and the amount to be deducted from the Group’s capital is subject to change.

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## FINANCIAL INFORMATION

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### DIVIDEND

No dividend had been paid or declared by our Company since its date of incorporation. The dividends declared and paid by Bright Port, one of our wholly-owned subsidiaries, to its then shareholders amounted to HK\$90.0 million for the year ended 31 December 2014. Our Company currently does not have a fixed dividend policy. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Subject to the Companies Law and the Articles of Association, our Directors may under certain circumstances, recommend at its own discretion a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will, under certain circumstances, be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and, subject to the Companies Law and the Articles of Association, available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

### DISTRIBUTABLE RESERVES

Our Company was incorporated on 4 March 2016 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Global Offering on our net tangible assets as at 31 December 2015 as if it had taken place on 31 December 2015. The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as at 31 December 2015 or any future date following the Global Offering. It is prepared based on our net assets as at 31 December 2015 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report in Appendix I to this prospectus.

## FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group is prepared based on the audited combined net tangible assets of our Group as at 31 December 2015 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	<b>Audited combined net tangible assets of our Group as at 31 December 2015</b>	<b>Estimated net proceeds from the Global Offering</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group per share</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 4)</i>	<i>(Notes 3 and 5)</i>
Based on a minimum Offer Price of HK\$1.44 per Share . . . . .	<u>146,455</u>	<u>59,028</u>	<u>205,483</u>	<u>0.92</u>
Based on a midpoint Offer Price of HK\$1.62 per Share . . . . .	<u>146,455</u>	<u>68,806</u>	<u>215,261</u>	<u>0.96</u>
Based on a maximum Offer Price of HK\$1.80 per Share . . . . .	<u>146,455</u>	<u>78,584</u>	<u>225,039</u>	<u>1.00</u>

*Notes:*

- (1) The amount of audited combined net tangible assets of our Group as at 31 December 2015 amounting to approximately HK\$146,455,000 is extracted from the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 56,000,000 new Shares to be issued at a minimum Offer Price of HK\$1.44 per Share, a midpoint price of HK\$1.62 per Share or a maximum Offer Price of HK\$1.80 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by our Group subsequent to 31 December 2015.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per share is arrived at on the basis of 224,000,000 shares in total, assuming that the issue of 56,000,000 new shares and the shares to be issued pursuant to the Capitalisation Issue had been completed on 31 December 2015. It has not taken into account any shares which may be allotted and issued pursuant to exercise of any options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to the Directors after 31 December 2015.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2015.

## FINANCIAL INFORMATION

- (5) The unaudited pro forma adjusted combined net tangible assets of our Group in the table above has not been adjusted to show the effect of the Capitalisation. The unaudited pro forma adjusted combined net tangible assets of our Group after taking into account of the Capitalisation is set out below. The effect per Share is based on 224,000,000 Shares as set out in note (3) above.

	<b>Based on the minimum Offer Price of HK\$1.44 per Offer Share</b>	<b>Based on the midpoint Offer Price of HK\$1.62 per Offer Share</b>	<b>Based on the maximum Offer Price of HK\$1.80 per Offer Share</b>
Unaudited pro forma adjusted combined net tangible assets after taking into account of the Capitalisation	HK\$395.5 million	HK\$405.3 million	HK\$415.0 million
Unaudited pro forma adjusted combined net tangible assets per Share after taking into account of the Capitalisation	HK\$1.77	HK\$1.81	HK\$1.85

Assuming the Offer Price is HK\$1.62 per Share, being the mid-point of the maximum Offer price of HK\$1.80 per Share and minimum Offer Price of HK\$1.44 per Share, the unaudited pro forma adjusted combined net tangible assets (after taking into account of the Capitalisation) is approximately HK\$405.3 million, whereas the unaudited pro forma adjusted combined net tangible assets (after taking into account the Capitalisation) per Share is approximately HK1.81 on the basis of 224,000,000 shares as set out in note 3 above. The Offer Price of HK\$1.62 per Share represents a 12% discount to HK\$1.81 being the unaudited pro forma adjusted combined net tangible assets (after taking into account the Capitalisation) per Share.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business operations have remained stable after the Track Record Period. Pursuant to two sale and purchase agreements entered into on 27 July 2015 and a sale and purchase agreement entered into on 5 November 2015, we agreed to sell three workshop units of The Galaxy. Completion of these sale and purchase agreements in respect of these workshop units took place in January 2016. As at the Latest Practicable Date, we had obtained additional banking facility to repay the amounts due to Directors upon Listing, and had obtained an indicative offer from the relevant bank to remove the repayable on demand clause for certain portion of loan in the event of successful Listing, which enables such amount to be classified as non-current liabilities. Upon Listing, approximately HK\$190.0 million of the amounts due to Directors will be capitalised.

We expect that our existing property development projects, The Star, the Yue Fung Project and the CWK Project will be completed in the fourth quarter of 2016, third quarter of 2018 and the third quarter of 2019 respectively, details of which are set out in “Business — Our Development Projects” in this prospectus. As such, it is anticipated that we would be able to generate more stable revenue for the coming years.

Despite the recent modest downturn in the Hong Kong residential property market, the private industrial and studio office markets have remained stable primarily due to the shortage in the supply of newly built industrial buildings and commercial buildings in non-CBD areas. In the event that there is any material adverse change to the Hong Kong property market as a whole, we may defer our relevant development plan to a later date. In line with our business practices, we will monitor the market condition from time to time to formulate and, if necessary, adjust our development plan to suit the market conditions. In view of the foregoing, we are of the view that the recent modest downturn of the Hong Kong residential property market will not have any material impact on our Group’s development plan.

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## FINANCIAL INFORMATION

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Our Directors have confirmed that, since 31 December 2015 and up to the date of this prospectus, there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect the financial or operating position or prospects of our Group.



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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Business — Our Business Strategies” in this prospectus for detailed description of our future plans.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) (the “**Net Proceeds**”), assuming an Offer Price of HK\$1.62, being the mid-point of the indicative Offer Price range, will be approximately HK\$67.9 million, and assuming that the Over-allotment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

- approximately HK\$47.5 million or approximately 70% of the Net Proceeds for acquiring suitable development site(s) in Hong Kong to replenish our land bank for our property development business. Our Directors confirm that, as at the Latest Practicable Date, we had not identified any target development sites for future development;
- approximately HK\$13.6 million or approximately 20% of the Net Proceeds for repayment of debt (such debt comprising a bank loan in the amount of approximately HK\$430.0 million obtained by us which was incurred to finance our business and carries interest of HIBOR+3% per annum and maturity of 30 months from the Listing Date); and
- approximately HK\$6.8 million or approximately 10% of the Net Proceeds will be used as general working capital of our Group.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the Net Proceeds, assuming that the Over-allotment Option is not exercised, will increase to approximately HK\$77.7 million or decrease to approximately HK\$58.2 million, respectively; and in such event, we intend to increase or decrease, respectively, the Net Proceeds to be used for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the Net Proceeds will increase to approximately HK\$81.3 million, assuming an Offer Price of HK\$1.62, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the Net Proceeds including the proceeds from the exercise of the Over-allotment Option will increase to approximately HK\$92.6 million or decrease to approximately HK\$70.0 million, respectively; and in such event, we intend to increase or decrease, respectively, the allocation of the Net Proceeds to the above purposes on a pro-rata basis.

### FUTURE PLANS AND USE OF PROCEEDS

To the extent that the Net Proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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To the extent that the Net Proceeds are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we may hold such funds in short term deposits with banks in Hong Kong.

### **REASONS FOR LISTING**

We believe that the Listing represents an important step to implement our business strategies. Through the Listing, not only we can raise funds (i.e. the Net Proceeds) from the Global Offering and apply them to the above uses, we believe we will also be able to gain access to capital market for future secondary fund raising for our further expansion plans as and when necessary through the issuance of equity and/or debt securities, with relatively lower financing cost as compared with banking financing as can be obtained by a private company. Following the Listing, our Group will gain additional leverage in obtaining financing with relatively more favourable terms and higher bargaining power in negotiating terms with landlords and/or suppliers and/or business partners. We also consider that the Listing, which itself is a form of complimentary advertising, will enhance our Group's corporate profile, market reputation and brand awareness which will strengthen our customers' confidence in our Group and in turn boost our sale of properties.

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## UNDERWRITING

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### UNDERWRITERS

#### **Hong Kong Underwriters**

Guotai Junan Securities (Hong Kong) Limited  
Great Roc Capital Securities Limited  
Ample Orient Capital Limited  
China Galaxy International Securities (Hong Kong) Co., Limited  
Convoy Investment Services Limited  
Ever-Long Securities Company Limited  
Kingston Securities Limited

#### **International Underwriters**

Guotai Junan Securities (Hong Kong) Limited  
Great Roc Capital Securities Limited  
Ample Orient Capital Limited  
China Galaxy International Securities (Hong Kong) Co., Limited  
Convoy Investment Services Limited  
Ever-Long Securities Company Limited  
Kingston Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offering**

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 5,600,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the relevant Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the relevant Application Forms.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

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## UNDERWRITING

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### *Grounds for termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering are subject to termination by notice to our Company from the Sole Global Coordinator (acting for itself and on behalf of the other Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

- (1) there shall develop, occur, exist or come into effect:
  - (a) any material change or development involving a prospective material change, or any event or series of events likely to result in any material change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, but without limitation to, conditions affecting stock and bond markets, money and foreign exchange markets, interbank markets and credit markets or a change in the system under which the value of Hong Kong currency is linked to that of the USD or the RMB is linked to any foreign currency(ies) in or affecting any of the Relevant Jurisdictions (as defined below));
  - (b) any material change or development involving a prospective material change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, but without limitation to, a devaluation of the Hong Kong dollar or the RMB against any foreign currencies (including, but without limitation to, the US dollars)), or the implementation of any exchange control in Hong Kong, the PRC or any other jurisdiction relevant to any member of our Group (the “**Relevant Jurisdictions**”);
  - (c) any event, or series of events, in the nature of force majeure (including, but without limitation to, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemics, pandemics, outbreaks of diseases, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting any of the Relevant Jurisdictions;
  - (d) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;
  - (e) any moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the federal or New York state level or other competent authority), London, the European Union (taking as a whole or any member thereof), Japan, the PRC or in any of the Relevant Jurisdictions;

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## UNDERWRITING

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- (f) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ National Markets, the American Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or any disruption in monetary or trading or securities settlement or clearance services, procedures or matters;
- (g) the imposition of economic sanctions, in whatever form, directly or indirectly, on any of the Relevant Jurisdictions;
- (h) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any investigation or other action against a Director or any of our Controlling Shareholders or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;
- (i) any litigation, legal action, claim or legal proceeding of any third party involving a significant amount being threatened or instigated against a Director or any member of our Group or any of our Controlling Shareholders;
- (j) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- (k) the chairman or chief executive officer of our Company vacating his office;
- (l) a contravention by any Director or any member of our Group or any of our Controlling Shareholders of the Listing Rules, the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws and regulations;
- (m) any material non-compliance with this prospectus (or any other documents used in connection with the Hong Kong Public Offering) or any aspect of the Global Offering with the Listing Rules, the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws or regulations;
- (n) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus or the post hearing information pack of our Company (or any other documents used in connection with the Hong Kong Public Offering) pursuant to the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Listing Rules or any applicable law and regulation or any requirement or request of the Stock Exchange or SFC;
- (o) a prohibition by a competent authority on our Company for whatever reason from allotting and issuing the Shares (including any additional Shares that may be allotted and issued under the Over-allotment Option) under the Global Offering;

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## UNDERWRITING

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- (p) any material change or prospective material change in, or materialisation of, any of the risks set out in “Risk Factors” in this prospectus; or
- (q) an order or petition for the winding-up of any member of our Group or any of our Controlling Shareholders or any composition or arrangement made by any member of our Group or any of our Controlling Shareholders with its creditors or a scheme of arrangement entered into by any member of our Group or any of our Controlling Shareholders or any resolution for the winding-up of any member of our Group or any of our Controlling Shareholders or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or any of our Controlling Shareholders or anything analogous thereto occurring in respect of any member of our Group or any of our Controlling Shareholders;

which, any of the above events, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator, (i) has or will or may have a material and adverse effect on the business, financial or other condition or prospects of our Group, (ii) has or will have or may have a material adverse impact on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing, (iii) makes or will make or may make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus or (iv) has or would or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting the Hong Kong Public Offering and/or the Global Offering) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (2) there has come to the notice of the Sole Global Coordinator:
  - (a) that any statement contained in this prospectus, the Application Forms and/or any announcement or advertisement or document issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue or incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation expressed in this prospectus and/or any announcements or documents issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair, honest and based on reasonable assumptions;
  - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);

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## UNDERWRITING

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- (c) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and the other members of our Group; or
- (d) any material breach of, or any event rendering untrue or incorrect or misleading in any material respect, any of the warranties given by our Company, our executive directors or any of our Controlling Shareholders under the Hong Kong Underwriting Agreement;
- (e) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Hong Kong Underwriters or the International Underwriters);
- (f) any claim or demand from any third party being threatened or instigated against our Company or any member of our Group including any demand for repayment or payment of any indebtedness involving a significant amount of our Company or any member of our Group;
- (g) approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued (including any additional Shares that may be issued and sold pursuant to the exercise of the Over-allotment Option) under the Global Offering and the Capitalisation Issue, on or before the date of the Listing Date is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (h) that our Company withdraws this prospectus (and any other documents used in connection with the Global Offering) or suspends the Global Offering; and
- (i) any expert (other than the Sole Sponsor) named in "Statutory and General Information — E. Other Information — 4. Qualifications of experts" in Appendix V to this prospectus, has withdrawn its consent to being named in any of this prospectus and the Application Forms or to the issue of any of this prospectus and the Application Forms.

### *Undertakings*

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances which includes the issue of Shares pursuant to the Share Option Scheme.

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## UNDERWRITING

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Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), we will not, without the prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the other Hong Kong Underwriters), at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of our share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) offer to or agree to enter into, any such transaction described in paragraphs (a), (b) or (c) above; whether any such transaction described in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

Similar undertakings are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

Each of our Controlling Shareholders has irrevocably undertaken with the Stock Exchange, our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the Hong Kong Underwriters that:

- (i) during the first six months immediately following the Listing Date (the “**First Six-Month Period**”), except pursuant to (A) the Global Offering, (B) the Over-allotment Option or (C) if applicable, the Stock Borrowing Agreement, each of the Controlling Shareholders will not and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Stock Exchange, our Company and the Sole Global Coordinator (acting for itself and on behalf of the other Hong Kong Underwriters), at any time:
  - (a) offer, mortgage, hypothecate, pledge, charge, sell, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of) the Shares, either directly or indirectly, conditionally or unconditionally, or any of our share or debt capital or our other securities or any interest therein (including, but



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## UNDERWRITING

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not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein owned directly or indirectly by each of our Controlling Shareholders (including holding as a custodian) or with respect to which each of our Controlling Shareholders have beneficial ownership) (collectively the “**Lock-up Shares**”). The foregoing restriction is expressly agreed to preclude each of our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than each of our Controlling Shareholders. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares (except for certain Lock-up Shares pledged in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan) or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
  - (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
  - (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; and
- (ii) at any time during the period of 30 months commencing on the date on which the First Six-Month Period expires, each of our Controlling Shareholders will not enter into any of the transactions specified in paragraphs (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company.

The above non-disposal undertaking of 36 months given by our Controlling Shareholders is voluntary in nature.

### **International Placing**

#### ***International Underwriting Agreement***

In connection with the International Placing, the International Underwriting Agreement is expected to be entered into between our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the

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## UNDERWRITING

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International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares.

The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. Pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to as those given under the Hong Kong Underwriting Agreement as described in “Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings” in this section.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 8,400,000 additional Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering at the Offer Price to, amongst other things, cover over-allocations in the International Placing, if any.

### **Underwriting commission and expenses**

The Hong Kong Underwriters will receive a gross commission of 3% of the aggregate Offer Price payable for all the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. The Sole Global Coordinator may also be entitled to a discretionary incentive bonus at our Company’s sole and absolute discretion.

### **Hong Kong Underwriters’ interests in our Company**

Save as disclosed in this section and other than pursuant to the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **SOLE SPONSOR’S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## UNDERWRITING

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### ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Placing, together referred to as “**Syndicate Members**”, may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for Guotai Junan Securities and its affiliates as the stabilizing manager) must not, in connection with the distribution of our Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to our Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of our Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in different countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities who are involved in directly or indirectly, the buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Share, in baskets of securities or indices including the Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases. All of these activities may occur both during and after the end of the stabilizing period described in “Structure and Conditions of the Global Offering — Over-allocation and stabilisation” in this prospectus. These activities may affect the market price or the value of our Shares, the liquidity or trading volume in our Shares and the volatility of their share price, and the extent to which this occurs on a day to day basis cannot be estimated.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 5,600,000 Shares (subject to reallocation) in Hong Kong as described below under the paragraphs under “The Hong Kong Public Offering” below (including the Employee Preferential Offering of up to 560,000 Shares as described in the paragraph “Employee Preferential Offering” in this section below); and
- (ii) the International Placing of 50,400,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S.

You may apply for the Hong Kong Offer Shares or if qualified to do so, indicate an interest in the International Placing Shares, but you may not apply in both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as institutional and professional investors and other investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

Of the 5,600,000 Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering, 560,000 Hong Kong Offer Shares (representing 10% and 1% of the total number of Offer Shares initially being offered under the Hong Kong Public Offering and the Global Offering (assuming that the Over-allotment Option is not exercised), respectively) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering. As of the Latest Practicable Date, there were a total of 7 Eligible Employees. An Eligible Employee who makes an application for the Employee Reserved Shares on a **PINK** Application Form may not apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing.

The number of the Hong Kong Offer Shares and the International Placing Shares to be offered under the Hong Kong Public Offering and the International Placing respectively, may be subject to reallocation as described below under the paragraphs under “Pricing and allocation” below.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### PRICING AND ALLOCATION

#### Indicative range of the Offer Price

The Offer Price will not be more than HK\$1.80 per Offer Share and is expected to be not less than HK\$1.44 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative range of the Offer Price stated in this prospectus.**

#### Price payable on application

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.80 for each Hong Kong Offer Share (plus brokerage, SFC transaction levy and Stock Exchange trading fees). If the Offer Price is less than HK\$1.80, appropriate refund payments (including brokerage, SFC transaction levy and the Stock Exchange trading fees attributable to the surplus application monies) will be made to successful applicants. Further information is set out in “How to Apply for Hong Kong Offer Shares — 13. Despatch/collection of Share certificates and refund cheques” in this prospectus.

#### Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of the International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, but to cease on or around, Friday, 8 July 2016.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 8 July 2016 and in any event, no later than Tuesday, 12 July 2016.

**If, for any reason, the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) and our Company are unable to reach agreement on the Offer Price on or before Tuesday, 12 July 2016, the Global Offering will not proceed and will lapse.**

#### Reduction in Offer Price range and/or number of Offer Shares

If the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) consider it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering with the consent of our Company.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Offer Shares, cause to be published on the websites of the Stock Exchange at

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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[www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.starproperties.com.hk](http://www.starproperties.com.hk) an announcement of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the working capital statement as currently disclosed in “Financial Information — Liquidity and Capital Resources — Working capital” in this prospectus, the offering statistics as currently disclosed in “Summary” in this prospectus, the use of proceeds in “Future Plans and Use of Proceeds” in this prospectus, and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range.

**Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative range of the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the indicative range of the Offer Price and/or number of Offer Shares is so reduced.**

### Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares under the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares to under the Hong Kong Public Offering will be based solely on the level of applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### Announcement of Offer Price and basis of allocations

The Offer Price is expected to be announced on Tuesday, 12 July 2016, and the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Tuesday, 12 July 2016, on our website ([www.starproperties.com.hk](http://www.starproperties.com.hk)) (in English and Chinese) and on the Hong Kong Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) and in a variety of channels in the

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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manner described in the paragraph headed “How to Apply for Hong Kong Offer Shares — 10. Publication of Results” in this prospectus. You should note that our website and all information contained in our website, does not form part of this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued and sold as mentioned herein (including any additional shares which may be issued and sold pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Sponsor (acting for itself and on behalf of other Underwriters)) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering on the website of our Company at [www.starproperties.com.hk](http://www.starproperties.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the next day following such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

**We expect to despatch Share certificates for the Offer Shares on Tuesday, 12 July 2016. However, these Share certificates will only become valid certificates of title if (a) the Global Offering has become unconditional in all respects and (b) the right of termination as described in “Underwriting” in this prospectus has not been exercised, which is expected to be at 8:00 a.m. (Hong Kong time) on the Listing Date.**

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement including those described in the paragraphs under “Conditions of the Global Offering” above) for the subscription in Hong Kong of, initially, 5,600,000 Offer Shares at the Offer Price, representing 10.0% of the initial number of the Offer Shares (before any exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of the enlarged number of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue but before any exercise of the Over-allotment Option.

Any applications for more than 50.0% of the Hong Kong Offer Shares initially included in the Hong Kong Public Offering after taking into account the Employee Preferential Offering (that is, 2,520,000 Hong Kong Offer Shares) will be rejected.

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment.

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. In the event of over applications, a clawback mechanism following the closing of the Application Lists shall be applied on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 16,800,000 Offer Shares, representing 30.0% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 22,400,000 Offer Shares, representing 40.0% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 28,000,000 Offer Shares, representing 50.0% of the Offer Shares initially available under the Global Offering.



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing. The Sole Global Coordinator also has the discretion to reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Placing Shares, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue. Our Company, our Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Shares in the Hong Kong Public Offering.

The Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) may require any investor who has been offered Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator of the Hong Kong Public Offering so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

References in this prospectus to applications, application forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### EMPLOYEE PREFERENTIAL OFFERING

Of the 5,600,000 Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering, 560,000 Employee Reserved Shares (representing 10% and 1% of the total number of Offer Shares initially being offered under the Hong Kong Public Offering and the Global Offering (assuming that the Over-allotment Option is not exercised), respectively) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form. The allocation will be based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong.

The Employee Reserved Shares are being offered out of the Hong Kong Offer Shares but will not be subject to the clawback mechanism as set out in the section headed "Structure and Conditions of the Global Offering — The Hong Kong Public Offering".

Any application made on a **PINK** Application Form for more than 560,000 Employee Reserved Shares will be rejected.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Allocation of the Employee Reserved Shares will be based on the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Employee Reserved Shares to Eligible Employees will be made on an equitable basis and will not be based on identity, seniority, length of service or work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. The allocation will be handled by our Hong Kong Share Registrar, Tricor Investor Services Limited, based on the level of valid applications received for the Employee Reserved Shares.

Any Employee Reserved Shares not subscribed for by the Eligible Employees will be available for subscription by the public in Hong Kong under the Hong Kong Public Offering.

An Eligible Employee who makes an application for the Employee Reserved Shares on a **PINK** Application Form may not apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing.

### THE INTERNATIONAL PLACING

The number of the Offer Shares to be initially offered for subscription and sale under the International Placing will be 50,400,000 Offer Shares, representing 90.0% of the initial number of the Offer Shares (before the exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent 22.5% of the enlarged number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but before any exercise of the Over-allotment Option.

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of us by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have sizeable demand for the International Placing Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions meeting the requirements of, and in reliance on Regulation S or another exemption from registration requirements under the US Securities Act. Prospective investors may be required to give an undertaking and confirmation that they have not applied for or taken up any Hong Kong Offer Shares. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

We are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator at any time from the date of signing of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require us to issue up to 8,400,000 additional Shares, representing 15% of the initial number of the Offer Shares. These Shares will be issued at the same price per Share under the International Placing to cover, among other things, over-allocations in the International Placing, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Placing, Guotai Junan Securities as the stabilising manager or any person acting for it may choose to borrow Shares from Star Properties Holdings (BVI) under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Star Properties Holdings (BVI) will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Star Properties Holdings (BVI) under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Star Properties Holdings (BVI) or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Star Properties Holdings (BVI) by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

### OVER-ALLOCATION AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Guotai Junan Securities, as the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 8,400,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong and stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the Securities and Futures Ordinance includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall; and
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period. In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 8,400,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 13 July 2016, dealings in Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 13 July 2016.

The Shares will be traded in board lots of 2,000 Shares each and the stock code is 1560.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form; or
- (b) use a **PINK** Application Form to apply for the Employee Reserved Shares if you are an Eligible Employee; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you are a firm, the application must be in the names of the individual members. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, we and the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four (except for applications made using **PINK** Application Forms where no joint application will be permitted) for Hong Kong Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares with a **PINK** Application Form.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- (a) are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- (b) are our Director or chief executive of our Company and/or any of our subsidiaries;
- (c) are an associate of any of the above;
- (d) are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- (e) have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

If you are an Eligible Employee applying for the Employee Reserved Shares under the Employee Preferential Offering by using a **PINK** Application Form, any application made on a **PINK** Application Form for more than 560,000 Offer Shares will be treated as if it is an application for 560,000 Offer Shares.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Wednesday, 6 July 2016 from:

any one of the addresses of the Hong Kong Underwriters:

**Guotai Junan Securities (Hong Kong) Limited**

27/F., Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**Great Roc Capital Securities Limited**

Suite 3712, 37/F., West Tower  
Shun Tak Center  
168–200 Connaught Road Central, Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**Ample Orient Capital Limited**

Room 902, 9/F,  
Far East Consortium Building,  
121 Des Voeux Road Central,  
Hong Kong

**China Galaxy International Securities (Hong Kong) Co., Limited**

Unit 3501-7, 3513-14  
35/F, Cosco Tower  
183 Queen's Road Central, Central  
Hong Kong

**Convoy Investment Services Limited**

Room C, 24/F, @Convoy  
169 Electric Road  
North Point  
Hong Kong

**Ever-Long Securities Company Limited**

18th Floor, Dah Sing Life Building,  
99-105 Des Voeux Road Central,  
Hong Kong

**Kingston Securities Limited**

Suite 2801, 28th Floor One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

or any of the following branches of Bank of China (Hong Kong) Limited:

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island . .	Central District Branch Taikoo Shing Branch	2A Des Voeux Road Central Shop G1006, Hoi Sing Mansion, Taikoo Shing
New Territories . . . .	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Wednesday, 6 July 2016 from:

- (1) the Depository Counter of HKSCC at 1/F One and Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (2) your stockbroker, who may have such Application Form and this prospectus available.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's headquarters at Unit 602B, 6/F Tower 1 Admiralty Centre, 18 Harcourt Road, Hong Kong during normal business hours from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Tuesday, 5 July 2016. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from our Company's website at [www.starproperties.com.hk](http://www.starproperties.com.hk).



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Star Properties Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited listed above at the following times:

Thursday, 30 June 2016 — 9:00 a.m. to 5:00 p.m.  
Saturday, 2 July 2016 — 9:00 a.m. to 1:00 p.m.  
Monday, 4 July 2016 — 9:00 a.m. to 5:00 p.m.  
Tuesday, 5 July 2016 — 9:00 a.m. to 5:00 p.m.  
Wednesday, 6 July 2016 — 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 6 July 2016, the last application day or such later time described in "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Star Properties Public Offer" for the payment must be returned to our Company's headquarters at Unit 602B, 6/F Tower 1 Admiralty Centre, 18 Harcourt Road, Hong Kong by 12:00 noon on Tuesday, 5 July 2016, being the last day for the submission of **PINK** Application Forms, or such later time as described in "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions on the Application Form carefully, otherwise your application may be rejected.

By signing on the Application Form, among other things, you:

- (a) **undertake** to execute all relevant documents and **instruct** and **authorise** us and/or the Sole Global Coordinator (or its agents or nominees) as agents for us to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees, as required by the Articles of Association;
- (b) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to bound by them;
- (d) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information and representations except those in any supplement to this prospectus;
- (e) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (f) **agree** that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for the information and representations not in this prospectus (and any supplement to this prospectus);
- (g) **undertake** and **confirm** that, you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (h) **agree** to disclose to us, the Sole Sponsor, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) **agree** that your application will be governed by the laws of Hong Kong;
- (l) **represent, warrant** and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) **warrant** that the information you have provided is true and accurate;
- (n) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) **authorise** our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on your Application Form, unless you have chosen to collect your Share certificate(s) and/or refund cheque(s) in person;
- (p) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (q) **understand** that we and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** or **PINK** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) **warrant** that
  - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
  - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional Instructions for YELLOW and PINK Application Forms**

You may refer to the **YELLOW** and **PINK** Application Forms for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General information**

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre  
1/F, One and Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and our Hong Kong Share Registrar.

### **Giving electronic application instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant on your behalf or your CCASS Investor Participant's stock account;
  - **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up or indicate, an interest for any Offer Shares under the International Placing;
  - (if the electronic application instructions are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - **confirm** that you **understand** that we, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - **authorise** us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **confirm** that you have received and/or read a copy of this prospectus and have only relied on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents or advisers and any other parties involved in the Global Offering, is or will be liable for the information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to us, our Hong Kong Share Registrar, the receiving banker, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, and/or any of their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by us;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for the Hong Kong Offer Shares;
- **agree** with us, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies, (including brokerage, SFC transaction levy and Stock Exchange trading fee), by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the specified times on the following dates:

Thursday, 30 June 2016	—	9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Saturday, 2 July 2016	—	8:00 a.m. to 1:00 p.m. <sup>(1)</sup>
Monday, 4 July 2016	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Tuesday, 5 July 2016	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 6 July 2016	—	8:00 a.m. <sup>(1)</sup> to 12:00 noon

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Wednesday, 6 July 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 6 July 2016, the last application day or such later time as described in “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section in the Application Form headed “Personal Data” applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data and any other information about applicants other than HKSCC Nominees.

## **6. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. We, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems in the connection to the CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 6 July 2016.

### 7. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may choose to make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** or **PINK** Application Form or by giving **electronic application instructions** to HKSCC via CCASS is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

*"Unlisted company" means a company with no equity securities listed on the Stock Exchange.*

*"Statutory control" means you:*

- *control the composition of the board of directors of the company; or*
- *control more than half of the voting power of the company; or*
- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Form.

You may submit an application using a **WHITE** or **YELLOW** or **PINK** Application Form in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to participants of the Stock Exchange, the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Further information on the Offer Price is set out in “Structure and Conditions of the Global Offering — Pricing and allocation” in this prospectus.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 July 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

For the purpose of this section, business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

If the Application Lists do not open and close on Wednesday, 6 July 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the International Placing and the level of applications under the Hong Kong Public Offering and the Employee Preferential Offering and the basis of allocation under the Hong Kong Public Offering on Tuesday, 12 July 2016 on our website at [www.starproperties.com.hk](http://www.starproperties.com.hk), and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Employee Preferential Offering will be made available at the times and date and in the manner specified below:

- in the announcement to be posted on our website at [www.starproperties.com.hk](http://www.starproperties.com.hk) on and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than Tuesday, 12 July 2016;
- from our Hong Kong Public Offering results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 12 July 2016 to 12:00 midnight on Monday, 18 July 2016;
- from our Hong Kong Public Offering allocation results telephone enquiry line by calling (852) 3691-8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 July 2016 to Friday, 15 July 2016; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 July 2016 to Thursday, 14 July 2016 at the designated receiving bank branches.

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure and Conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allotted to you:

#### (i) If your application is revoked

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC via CCASS, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If we or our agents exercise our discretion to reject your application**

We, the Sole Global Coordinator and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reason.

**(iii) If the allotment of Hong Kong Offer Shares is void**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Hong Kong Offer Shares either:

- within three weeks from the closing date of the Application Lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the Application Lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sole Global Coordinator believe(s) that by accepting your application, we or it would violate applicable securities or other laws, rules or regulations;
- your application is for more than 50% of the Hong Kong Offer Shares initially offered in the Hong Kong Public Offering; or
- your application is for more than 560,000 Employee Reserved Shares under the Employee Preferential Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and Conditions of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 12 July 2016.

### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

You will receive one Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one Share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

No temporary documents of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Tuesday, 12 July 2016. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply by **PINK** Application Forms, Share certificate(s) and/or refund cheque(s) will be sent to our Company on Tuesday, 12 July 2016 and we will arrange for onward despatch to you at the address specified in your **PINK** Application Form or as otherwise notified by you to us.

Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 July 2016 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal collection**

#### *(a) If you apply using a WHITE Application Form*

- If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) from Tricor Investor Services Limited, our Hong Kong Share Registrar, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 July 2016 or any other date as notified by us on our website at [www.starproperties.com.hk](http://www.starproperties.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).
- If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited.
- If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address as specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) will be sent to the address on your Application Form on Tuesday, 12 July 2016 by ordinary post at your own risk.

#### *(b) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on your Application Form on Tuesday, 12 July 2016 by ordinary post at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 12 July 2016 or upon contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "How to Apply for Hong Kong Offer Shares — 10. Publication of results" in this prospectus on Tuesday, 12 July 2016. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 July 2016 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check the number of Hong Kong Offer Shares allocated to you via the CCASS Phone System and the CCASS Internet System.

*(c) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

*Deposit of Share certificates into CCASS and refund of application monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated stock account of the CCASS Participant or your CCASS Investor Participant stock account on Tuesday, 12 July 2016 or, on any other date determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong Identity Card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in "How to Apply for Hong Kong Offer Shares — 10. Publication of Results" in this prospectus on Tuesday, 12 July 2016. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 July 2016 or such other date as shall be determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 12 July 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies (if any) to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 July 2016.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

**All necessary arrangements have been made for the Shares to be admitted into CCASS.**



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

30 June 2016

The Directors  
Star Properties Group (Cayman Islands) Limited  
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Star Properties Group (Cayman Islands) Limited (the “Company”) and its subsidiaries (herein after collectively referred to as the “Group”) for each of the three years ended 31 December 2015 (the “Track Record Period”) (the “Financial Information”) for inclusion in the prospectus of the Company dated 30 June 2016 issued in connection with the proposed initial listing of the Company’s shares (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Prospectus”).

The Company, which acts as an investment holding company, was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 4 March 2016. Pursuant to a corporate reorganisation as more fully explained in “History, Reorganisation and Corporate Reorganisation” in the Prospectus (the “Group Reorganisation”), the Company became the holding company of the companies now comprising the Group on 18 March 2016.

All the subsidiaries now comprising the Group have adopted 31 December as the financial year end date.

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiary	Place of incorporation	Date of incorporation	Equity interest attributable to the Group				At date of this report	Issued and fully paid share capital	Principal activities
			At 31 December						
			2013	2014	2015				
			%	%	%	%			
Star Properties Group (BVI) Limited (“Star Properties Group (BVI)”)	The British Virgin Islands (“BVI”)	8 March 2016	N/A	N/A	N/A	100	US\$100	Investment holding	
Star Property Management (HK) Limited (formerly known as Galaxy Property Management (HK) Limited) (“Star Property Management”)	Hong Kong	3 January 2013	100	100	100	100	HK\$1	Investment holding and provision of property management services	



Name of subsidiary	Place of incorporation	Date of incorporation	Equity interest attributable to the Group				Issued and fully paid share capital	Principal activities
			At 31 December			At date of this report		
			2013	2014	2015	%		
			%	%	%	%		
Eagle Charm Limited ("Eagle Charm")	Hong Kong	3 July 2014	N/A	100	100	N/A (note)	HK\$1	Inactive
Star Properties (H.K.) Limited (formerly known as Galaxy Properties (H.K.) Limited) ("Star Properties (HK)")	Hong Kong	17 December 2012	100	100	100	100	HK\$1	Provision of project management and administrative services
Star Properties (BVI) Limited ("Star Properties (BVI)")	BVI	10 March 2016	N/A	N/A	N/A	100	US\$100	Investment holding
Star Property Management (BVI) Limited ("Star Property Management (BVI)")	BVI	10 March 2016	N/A	N/A	N/A	100	US\$100	Investment holding
Bright Port (BVI) Limited ("Bright Port (BVI)")	BVI	10 March 2016	N/A	N/A	N/A	100	US\$100	Investment holding
Bright Port Holdings Limited ("Bright Port")	Hong Kong	11 November 2010	100	100	100	100	HK\$1	Property development
Celestial Design Limited ("Celestial Design")	BVI	26 August 2013	100	100	100	100	US\$1	Investment holding
Spring Moon Investments Limited ("Spring Moon")	Hong Kong	28 August 2013	100	100	100	100	HK\$1	Property investment
New Moon River Limited ("New Moon")	BVI	29 March 2011	100	100	100	100	US\$100	Investment holding
Fountain Inc Limited ("Fountain Inc")	Hong Kong	6 February 2013	100	100	100	100	HK\$10,000	Property development and property investment
Inventive Rainbow Limited ("Inventive Rainbow")	BVI	19 December 2013	100	100	100	100	US\$100	Investment holding
Rainbow Red Holdings Limited ("Rainbow Red")	Hong Kong	25 November 2013	100	100	100	100	HK\$1	Property development
Diamond Vantage Limited ("Diamond Vantage")	Hong Kong	3 October 2014	N/A	100	100	100	HK\$1	Property investment

Note: Eagle Charm has been disposed to Galaxy Real Estate Services (BVI) Limited at a nominal consideration of HK\$1 on 18 March 2016.

Other than Star Properties Group (BVI) which is wholly-owned and held directly by the Company, all other subsidiaries are indirectly held by the Company.

No audited financial statements have been prepared for the Company, Star Properties Group (BVI), Star Properties (BVI), Star Property Management (BVI), Bright Port (BVI), Celestial Design, New Moon and Inventive Rainbow since their respective dates of incorporation, as they have not carried out any business or there are no statutory audit requirements.

For the purpose of this report, we have, however, reviewed the relevant transactions of the Company, Star Properties Group (BVI), Star Properties (BVI), Star Property Management (BVI), Bright Port (BVI), Celestial Design, New Moon and Inventive Rainbow for the Track Record Period or since their dates of incorporation where this is a shorter period and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Group in this report.

The statutory financial statements of remaining entities comprising the Group for the years ended 31 December 2013, 2014 and 2015, or since their respective dates of incorporation, were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and were audited by the certified public accountants as set out below in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

<u>Name of entities</u>	<u>Periods covered</u>	<u>Auditors</u>
Star Property Management	From 3 January 2013 (date of incorporation) to 31 December 2013 and for each of the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu
Eagle Charm	From 3 July 2014 (date of incorporation) to 31 December 2015	Deloitte Touche Tohmatsu
Star Properties (HK)	From 17 December 2012 (date of incorporation) to 31 December 2013 and for each of the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu
Bright Port	For each of the years ended 31 December 2013, 2014 and 2015	Deloitte Touche Tohmatsu
Spring Moon	From 28 August 2013 (date of incorporation) to 31 December 2014 and for the year ended 31 December 2015	Deloitte Touche Tohmatsu
Fountain Inc	From 6 February 2013 (date of incorporation) to 31 December 2013	Profectus & Co.
	For each of the years ended 31 December 2014 and 2015	Deloitte Touche Tohmatsu
Rainbow Red	From 25 November 2013 (date of incorporation) to 31 December 2014 and for the year ended 31 December 2015	Deloitte Touche Tohmatsu
Diamond Vantage	From 3 October 2014 (date of incorporation) to 31 December 2015	Deloitte Touche Tohmatsu

We have examined the audited financial statements of Star Property Management, Eagle Charm, Star Properties (HK), Bright Port, Spring Moon, Fountain Inc, Rainbow Red and Diamond Vantage and when necessary, the management accounts of these and other companies now comprising the Group for the Track Record Period or since their dates of incorporation where this is a shorter period (“Underlying Financial Statements”) in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements, on the basis of presentation set out in note 2 of Section A below, after making such adjustments as considered appropriate for the purpose of preparing our report for the inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of respective entities who approved their issue. The directors of the Company (the “Directors”) are responsible for the contents of the Prospectus 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, on the basis of presentation set out in note 2 to Section A, the Financial Information gives, for the purpose of this report, a true and fair view of the Group’s combined financial position as at 31 December 2013, 2014 and 2015, and of the combined financial performance and combined cash flows of the Group for the Track Record Period.

## A. FINANCIAL INFORMATION

### COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
Revenue . . . . .	8	—	611,811	78,672
Cost of sales and services . . . . .		—	(315,548)	(42,709)
Gross profit. . . . .		—	296,263	35,963
Other income. . . . .	9	28	4,420	5,963
Gain arising on change in fair value of investment properties	17	5,096	11,952	16,402
Selling expenses. . . . .		(1,623)	(10,764)	(1,189)
Administrative and other expenses . . . . .		(3,485)	(66,710)	(10,139)
Listing expenses. . . . .		—	—	(864)
Finance costs. . . . .	10	—	(2,433)	(4,006)
Profit before tax. . . . .	11	16	232,728	42,130
Income tax credit (expense) . . . . .	14	212	(36,638)	(5,028)
Profit and total comprehensive income for the year . . . . .		228	196,090	37,102

## COMBINED STATEMENTS OF FINANCIAL POSITION

		<b>The Group</b>		
		<b>At 31 December</b>		
		<b>2013</b>	<b>2014</b>	<b>2015</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>			
<b>Non-current assets</b>				
Plant and equipment . . . . .	16	—	651	637
Investment properties . . . . .	17	19,320	34,600	523,450
Deferred tax asset . . . . .	18	681	—	523
		<u>20,001</u>	<u>35,251</u>	<u>524,610</u>
<b>Current assets</b>				
Properties held for sale . . . . .	19	377,053	483,491	528,269
Trade and other receivables . . . . .	20	6,047	1,219	23,277
Amounts due from related companies . . . . .	21	90,269	8,427	1,819
Amount due from a director . . . . .	22	—	105,739	—
Stakeholder's account . . . . .	23	56	10,522	61,875
Bank balances and cash . . . . .	23	823	21,168	5,718
		<u>474,248</u>	<u>630,566</u>	<u>620,958</u>
<b>Current liabilities</b>				
Trade and other payables . . . . .	24	167,923	85,889	118,192
Amounts due to related companies . . . . .	25	5	7,266	7,414
Amounts due to directors . . . . .	22	83,029	205,418	365,997
Tax liabilities . . . . .		—	35,678	1,119
Borrowings . . . . .	26	239,623	204,224	484,861
		<u>490,580</u>	<u>538,475</u>	<u>977,583</u>
<b>Net current (liabilities) assets</b> . . . . .		<u>(16,332)</u>	<u>92,091</u>	<u>(356,625)</u>
<b>Total assets less current liabilities</b> . . . . .		<u>3,669</u>	<u>127,342</u>	<u>167,985</u>
<b>Non-current liabilities</b>				
Borrowings . . . . .	26	—	18,722	21,530
<b>Net assets</b> . . . . .		<u>3,669</u>	<u>108,620</u>	<u>146,455</u>
<b>Capital and reserve</b>				
Share capital . . . . .	27	2	2	2
Retained earnings . . . . .		3,667	108,618	146,453
<b>Total equity</b> . . . . .		<u>3,669</u>	<u>108,620</u>	<u>146,455</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Retained Earning</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2013 . . . . .	1	5,810	5,811
Issue of share capital at date of incorporation . . . . .	1	—	1
Profit and total comprehensive income recognised for the year. . . . .	—	228	228
Net profit retained by Galaxy Real Estate Investment Management Limited (“GREIM”) ( <i>note</i> ). . . . .	—	(2,371)	(2,371)
At 31 December 2013 . . . . .	2	3,667	3,669
Profit and total comprehensive income recognised for the year. . . . .	—	196,090	196,090
Dividend paid . . . . .	—	(90,000)	(90,000)
Net profit retained by GREIM ( <i>note</i> ) . . . . .	—	(1,139)	(1,139)
At 31 December 2014 . . . . .	2	108,618	108,620
Profit and total comprehensive income recognised for the year. . . . .	—	37,102	37,102
Net loss retained by GREIM ( <i>note</i> ) . . . . .	—	733	733
At 31 December 2015 . . . . .	<u>2</u>	<u>146,453</u>	<u>146,455</u>

*Note:* The profit (loss) in respect of operations of the project management services for the Group's property projects (the “Project Management Business”) carried out by GREIM prior to 1 April 2015 was legally belonged to GREIM. The net profit retained by GREIM represents the funding generated by the Project Management Business retained by GREIM prior to the completion of business transferred. The net loss retained by GREIM represents the funding provided by GREIM to the Project Management Business prior to the completion of business transferred.

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax . . . . .	16	232,728	42,130
Adjustments for:			
Depreciation of plant and equipment . . . . .	—	86	150
Finance costs . . . . .	—	2,433	4,006
Gain arising on change in fair value of investment properties . . . . .	(5,096)	(11,952)	(16,402)
Interest income . . . . .	(4)	(251)	(638)
(Profit) loss of the Project Management Business retained by GREIM . . . . .	(2,371)	(1,139)	733
Operating cash flows before movements in working capital . . . . .	(7,455)	221,905	29,979
(Increase) decrease in trade and other receivables. . . .	(6,047)	4,828	(22,058)
Increase in properties held for sale. . . . .	(266,669)	(90,091)	(35,983)
Increase in stakeholder's account. . . . .	(56)	(10,466)	(51,353)
Increase (decrease) in trade and other payables . . . . .	166,520	(82,034)	32,303
Cash (used in) generated from operations . . . . .	(113,707)	44,142	(47,112)
Income tax paid . . . . .	—	—	(40,110)
<b>NET CASH (USED IN) FROM OPERATING     ACTIVITIES . . . . .</b>	<b>(113,707)</b>	<b>44,142</b>	<b>(87,222)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of plant and equipment . . . . .	—	(737)	(136)
Additions to investment properties. . . . .	(4,594)	(3,328)	(472,448)
Advances to related companies . . . . .	(91,478)	(8,906)	(1,043)
Repayments from related companies. . . . .	6,003	90,469	7,651
Advance to a director. . . . .	—	(105,739)	—
Interest income . . . . .	4	251	638
<b>NET CASH USED IN INVESTING ACTIVITIES . . . . .</b>	<b>(90,065)</b>	<b>(27,990)</b>	<b>(465,338)</b>
<b>FINANCING ACTIVITIES</b>			
Interest paid . . . . .	(8,352)	(16,338)	(9,993)
Bank borrowings raised . . . . .	113,946	117,846	280,637
Repayments of bank borrowings . . . . .	—	(66,568)	—
Advances from related companies . . . . .	5	7,261	912
Advances from directors. . . . .	22,697	122,389	266,318
Loans from related companies. . . . .	72,280	5,000	—
Repayments of loans from related companies . . . . .	—	(75,397)	—
Repayments of amounts due to related companies . . . .	—	—	(764)
Dividend paid. . . . .	—	(90,000)	—
<b>NET CASH FROM FINANCING ACTIVITIES . . . . .</b>	<b>200,576</b>	<b>4,193</b>	<b>537,110</b>

	Year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS . . . . .	(3,196)	20,345	(15,450)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR . . . . .	<u>4,019</u>	<u>823</u>	<u>21,168</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<u><u>823</u></u>	<u><u>21,168</u></u>	<u><u>5,718</u></u>

**NOTES TO THE FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 4 March 2016. Its registered office is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Unit 602B, 6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in property development and property investment.

The Financial Information is presented in Hong Kong Dollar ("HK\$"), which is the same as the functional currency of the Company and its subsidiaries.

The financial information contained in this document does not constitute the statutory annual financial statements of Star Property Management, Star Properties (HK), Bright Port, Spring Moon, Fountain Inc, Rainbow Red and Diamond Vantage for the financial year ended 31 December 2015, but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As Star Property Management, Star Properties (HK), Bright Port, Spring Moon, Fountain Inc, Rainbow Red and Diamond Vantage are private companies, they are not required to deliver their financial statements to the Registrar of Companies, and have not done so.

The auditor of Star Property Management, Star Properties (HK), Bright Port, Spring Moon, Fountain Inc, Rainbow Red and Diamond Vantage has reported on these financial statements for the year ended 31 December 2015. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

**2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

To rationalise the corporate structure in preparation for the Listing on the Main Board of the Stock Exchange, the entities comprising the Group underwent the Group Reorganisation which mainly involved (i) incorporation of the Company as an exempted company with limited liability in the Cayman Islands on 4 March 2016 and (ii) interspersing investment holding companies, including the Company, between the operating subsidiaries and the ultimate equity shareholders, Mr. Chan Man Fai, Joe and Mr. Lam Kin Kok (the "Controlling Shareholders"). Upon completion of the Group Reorganisation, the Company became the holding company of the Group on 18 March 2016.

GREIM, which is controlled by the Controlling Shareholders, was engaged in the provision of project management services for the Group's property projects.

On 1 April 2015, GREIM (as assignor) and Star Properties (HK) (as assignee) entered into a deed of assignment whereby GREIM transferred the Project Management Business to Star Properties (HK) at nil consideration with effect on 1 April 2015. Financial information of the Project Management Business recorded in the books of GREIM prior to the transfer is included in the Financial Information for the Track Record Period.

The companies that took part in the Group Reorganisation were controlled by the Controlling Shareholders during the Track Record Period or since their respective dates of incorporation up to 31 December 2015 where this is a shorter period. As there was no change in the effective interest and control of the Controlling Shareholders over the group entities before and after the Group Reorganisation, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA. The financial information relating to the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period includes the results of operation, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation where



this is a shorter period. The combined statements of financial position of the Group as at 31 December 2013, 2014 and 2015 had been prepared to present assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation.

### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for annual accounting periods beginning on 1 January 2015 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs that are not yet effective for annual accounting periods beginning on 1 January 2015. The Group has not early applied these new and amendments to HKFRSs.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined

Except as described below, the Directors anticipate that the application of the other new and amendments to HKFRSs will not have material impact on the Group's financial performance and positions and/or the disclosures to the Financial Information of the Group.

#### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets.

HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as below:

- all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investment that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contracting cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt

investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in combined statement of profit or loss and other comprehensive income.

- with regard to the measurement of financial liabilities designated as at fair value through combined statement of profit or loss and other comprehensive income, HKFRS 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in combined statement of profit or loss and other comprehensive income. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to combined statement of profit or loss and other comprehensive income. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through combined statement of profit or loss and other comprehensive income is presented in combined statement of profit or loss and other comprehensive income.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

#### **HKFRS 15 Revenue from Contracts with Customers**

In 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosure are required by HKFRS 15.

The management of the Group anticipates that the application of HKFRS 15 in the future has no material impact on the amounts reported and disclosures made in the Group's financial information.

#### HKFRS 16 Leases

HKFRS 16 was issued by the HKICPA in May 2016. It will be effective for annual periods beginning on or after 1 January 2019 and will supersede HKAS 17 *Leases*. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

As set out in note 28, total operating lease commitment of the Group in respect of leased premises as at 31 December 2015 amounted to HK\$2,200,000 and within 12 months, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result.

The Group acts as a lessor in property investment segment, the adoption of HKFRS 16 does not change substantially how the Group accounts for leases as a lessor.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis except for investment properties that are measured at fair value 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, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

#### **Basis of combination**

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

#### **Merger accounting for business combination involving entities under common control**

The Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

#### **Revenue recognition**

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

##### **(a) Sales of properties**

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the purchasers. Deposits and instalments received from purchasers prior to meeting the above evidence for revenue recognition are included in the combined statement of financial position under current liabilities.

##### **(b) Rental income**

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

(c) *Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income 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.

**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.

*The Group as lessor*

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

*The Group as lessee*

Operating lease payments are recognised as an expenses on a straight-line basis over the lease term.

**Borrowing costs**

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in combined statement of profit or loss and other comprehensive income in the period in which they are incurred.

**Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

**Taxation**

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

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for 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 combined statements of financial position 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax are recognised in combined statement of profit or loss and other comprehensive income.

### **Plant and equipment**

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

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

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

### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purpose.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in combined statement of profit or loss and other comprehensive income for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property is included in the combined statement of profit or loss and other comprehensive income in the period in which the property is derecognised.

**Properties held for sale**

Completed properties and properties under development for sale are stated in the combined statement of financial position at the lower of cost and net realisable value on an individual property basis. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policies, and other attributable expenses. Net realisable value is calculated at the actual or estimated selling price less the estimated costs necessary to make the sales.

**Financial instruments**

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

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***

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

***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 trade and other receivables, amounts due from related companies, amount due from a director, stakeholder's account and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets 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 financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

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

The amount of 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 financial asset's original effective interest rate.

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

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 combined statement of profit or loss and other comprehensive income 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***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments 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 the group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

Financial liabilities (including trade and other payables, amounts due to related companies, amounts due to directors and borrowings) are subsequently measured at amortised cost, using the effective interest method.

##### *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.

##### ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in combined statement of profit or loss and other comprehensive income.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in combined statement of profit or loss and other comprehensive income.

#### **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.



Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through combined statement of profit or loss and other comprehensive income, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

#### **Impairment on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in combined statement of profit or loss and other comprehensive income.

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

## **5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, the Directors have made the following judgment and estimation that has a significant effect on the amount recognised in the financial statements.

### **Initial judgment in applying accounting policies**

#### *Deferred taxation on investment properties*

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

### **Key source of estimation of uncertainty**

#### *Fair value of investment property*

As at 31 December 2013, 2014 and 2015, investment properties were carried in the combined statement of financial position at their fair values of approximately HK\$19,320,000, HK\$34,600,000 and HK\$523,450,000 respectively. The fair values were based on valuations on these properties conducted by an independent firm 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 values of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the combined statements of profit or loss and other comprehensive income.

*Estimated net realisable value on properties held for sale*

In determining whether allowances should be made to the Group's properties held for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimate selling price less estimated costs of selling expenses). An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result. As at 31 December 2013, 2014 and 2015, the carrying amounts of the properties held for sale were approximately HK\$377,053,000, HK\$483,491,000 and HK\$528,269,000, respectively.

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt (which includes borrowings, amounts due to directors and amounts due to related companies, net of bank balances) and equity attributable to owners of the Company, comprising issued share capital and retained earnings.

The management of the Group reviews and manages its capital structure on a regular basis.

## 7. FINANCIAL INSTRUMENTS

### 7a. Categories of financial instruments

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>			
Loans and receivables (including bank balances and cash). . . . .	91,188	146,375	71,850
<b>Financial liabilities</b>			
Amortised cost . . . . .	332,047	452,076	890,420

### 7b. Financial risk management objectives and policies

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

*Market risk*

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks throughout the Track Record Period.

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from related companies (see note 26 for details of these borrowings). Bank balances and bank borrowings at floating rates exposes the Group to cash flow interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for bank borrowings. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. For the years ended 31 December 2013, 2014 and 2015, 50 basis points increase or decrease representing the assessment of the management of the Group on the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Interest capitalised in properties held for sale for the year ended 31 December 2013, 2014 and 2015 would be increased/decreased by approximately HK\$765,000, HK\$1,021,000 and HK\$1,341,000, respectively, which will then be charged to cost of sales and services in combined statement of profit or loss and other comprehensive income when the properties are delivered to purchasers and revenue are recognised. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.
- Post-tax profit for the year ended 31 December 2015 would be decreased/increased by approximately HK\$1,084,000. (2014 and 2013: Nil). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowing obtained in 2015.

The Directors consider interest rate exposure to bank balances is immaterial.

#### *Currency risk*

The Group's transactions and balances are primarily denominated in HK\$, the functional currency of the respective group entities, as such the Group has no significant exposure to currency risk.

#### *Credit risk*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position.

The amount of contingent liabilities in relation to financial guarantee issued by the Group is disclosed in note 32.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual receivable 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 the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group is exposed to concentration of credit risk on:

- Liquid funds which are deposited with several banks with high credit ratings;
- Sales deposits received from properties pre-sold which deposited with several law firms;
- Advances to Mr. Chan Man Fai, Joe, one of the Directors of the Company; and
- Advances to GREIM, a related company of the Company.

Other than above, the Group does not have any other significant concentration of credit risk.

*Liquidity risk*

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

The Directors have given careful consideration to the going concern of the Group in light of the fact that the Group had net current liabilities of approximately HK\$356,625,000 as at 31 December 2015. The Group's ability to continue as a going concern is dependent on the ongoing availability of funds to the Group, including 1) On 17 March 2016, the Group obtained a banking facility granting an aggregate sum of HK\$500,000,000 of which HK\$70,000,000 can be drawn down since 17 March 2016 and the remaining HK\$430,000,000 can be drawn down upon the Listing; 2) Mr. Chan Man Fai, Joe and Mr. Lam Kin Kok, being two of the Directors, have agreed not to demand for repayment of the balances of approximately HK\$345,970,000 and HK\$20,027,000 due to them respectively as at 31 December 2015 until the Group has the financial ability to do so. Taken into account the above considerations, the Directors are of the opinion that the Group will have sufficient funds to meet in full its financial obligations as and when they fall due.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each year during the Track Record Period.

*Liquidity table*

	Weighted average effective interest rate	Repayable on demand or				Total undiscounted cash flows	Total carrying amount
		less than 3 months	3 months to 1 year	1-2 years	2-5 years		
		%	HK\$'000	HK\$'000	HK\$'000		
<b>At 31 December 2013</b>							
Retention payables . . . . .	—	—	9,390	—	—	9,390	9,390
Amounts due to related companies . . .	—	5	—	—	—	5	5
Amounts due to directors . . . . .	—	83,029	—	—	—	83,029	83,029
Bank borrowings — variable rate . . . .	3.4-3.71	152,946	—	—	—	152,946	152,946
Loans from related companies . . . . .	0-15	16,280	78,497	—	—	94,777	86,677
		<u>252,260</u>	<u>87,887</u>	<u>—</u>	<u>—</u>	<u>340,147</u>	<u>332,047</u>
<b>At 31 December 2014</b>							
Trade payables . . . . .	—	8,220	—	—	—	8,220	8,220
Retention payables . . . . .	—	—	8,226	—	—	8,226	8,226
Amounts due to related companies . . .	—	7,266	—	—	—	7,266	7,266
Amounts due to directors . . . . .	—	205,418	—	—	—	205,418	205,418
Bank borrowings — variable rate . . . .	0.8-3.5	204,224	—	—	—	204,224	204,224
Loans from related companies . . . . .	8-15	—	—	—	25,743	25,743	18,722
		<u>425,128</u>	<u>8,226</u>	<u>—</u>	<u>25,743</u>	<u>459,097</u>	<u>452,076</u>

	Weighted average effective interest rate	Repayable on demand or				Total undiscounted cash flows	Total carrying amount
		less than 3 months	3 months to 1 year	1-2 years	2-5 years		
		%	HK\$'000	HK\$'000	HK\$'000		
<b>At 31 December 2015</b>							
Retention payables . . . . .	—	10,618	—	—	—	10,618	10,618
Amounts due to related companies . . .	—	7,414	—	—	—	7,414	7,414
Amounts due to directors . . . . .	—	365,997	—	—	—	365,997	365,997
Bank borrowings — variable rate . . . .	2.1-3.6	484,861	—	—	—	484,861	484,861
Loans from related companies . . . . .	15	—	—	24,760	—	24,760	21,530
Financial guarantee contract ( <i>Note</i> ) . . .	—	100,000	—	—	—	100,000	—
		<u>968,890</u>	<u>—</u>	<u>24,760</u>	<u>—</u>	<u>993,650</u>	<u>890,420</u>

*Note:* The amount included above for financial guarantee contract is the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterpart to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterpart claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterpart which are guaranteed suffer credit losses.

Bank borrowings with a repayment on demand clause are included in the “repayable on demand or less than 3 months” time band in the above maturity analysis. As at 31 December 2013, 2014 and 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$152,946,000, HK\$204,224,000 and HK\$484,861,000 respectively. Taking into account the Group’s financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid within 2 to 4 years after the end of the respective reporting periods in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Weighted average effective interest rate	Repayable on demand or				Total undiscounted cash flows	Total carrying amount
		less than 3 months	3 months to 1 year	1-2 years	2-5 years		
		%	HK\$'000	HK\$'000	HK\$'000		
<b>At 31 December 2013</b>							
Bank borrowings — variable rates . . .	3.49	<u>1,335</u>	<u>149,452</u>	<u>5,132</u>	<u>—</u>	<u>155,919</u>	<u>152,946</u>
<b>At 31 December 2014</b>							
Bank borrowings — variable rates . . .	3.39	<u>1,731</u>	<u>139,381</u>	<u>69,871</u>	<u>—</u>	<u>210,983</u>	<u>204,224</u>
<b>At 31 December 2015</b>							
Bank borrowings — variable rates . . .	3.02	<u>3,671</u>	<u>78,976</u>	<u>205,119</u>	<u>222,095</u>	<u>509,861</u>	<u>484,861</u>

The amounts included above for variable interest rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each year during the Track Record Period.

#### 7c. Fair value measurements of financial instruments

The fair values 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.

## 8. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	Year ended 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development — sales of properties . . . . .	—	611,765	73,513
Property investment — rental income from leasing of investment properties . . . . .	—	46	5,159
	<u>—</u>	<u>611,811</u>	<u>78,672</u>

Information reported to the Company's executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are as follows:

1. Property development — sales of properties
2. Property investment — rental income from leasing of investment properties

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Segment revenue			Segment result		
	2013	2014	2015	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development						
— External sales	—	611,765	73,513	(5,055)	222,546	29,445
— Inter-segment sales (Note)	—	6,503	—	—	(250)	—
	—	618,268	73,513	(5,055)	222,296	29,445
Property investment	—	46	5,159	5,096	11,951	17,239
Segment total	—	618,314	78,672	41	234,247	46,684
Less: elimination	—	(6,503)	—	—	250	—
	<u>—</u>	<u>611,811</u>	<u>78,672</u>	41	234,497	46,684
Unallocated income				—	140	1,129
Unallocated expenses				(25)	(1,909)	(4,819)
Listing expenses				—	—	(864)
Profit before tax				<u>16</u>	<u>232,728</u>	<u>42,130</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit or loss earned by each segment without allocation of listing expenses, some other income and some administration expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

*Note:* The consideration of inter-segment sales were determined based on estimated cost at the time of sales.

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

*As at 31 December 2013*

	<b>Property development</b>	<b>Property investment</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Segment assets</i>					
Investment properties . . . . .	—	19,320	19,320	—	19,320
Deferred tax asset . . . . .	681	—	681	—	681
Properties held for sale . . . . .	377,053	—	377,053	—	377,053
Other receivables . . . . .	6,047	—	6,047	—	6,047
Amounts due from related companies . . . . .	90,269	—	90,269	—	90,269
Stakeholder's account . . . . .	56	—	56	—	56
Bank and cash . . . . .	823	—	823	—	823
	<u>474,929</u>	<u>19,320</u>	<u>494,249</u>	<u>—</u>	<u>494,249</u>
<i>Segment liabilities</i>					
Trade and other payables . . . . .	167,903	—	167,903	20	167,923
Amounts due to related companies . . . . .	—	—	—	5	5
Amounts due to directors . . . . .	83,029	—	83,029	—	83,029
Borrowings . . . . .	239,623	—	239,623	—	239,623
	<u>490,555</u>	<u>—</u>	<u>490,555</u>	<u>25</u>	<u>490,580</u>

*As at 31 December 2014*

	<b>Property development</b>	<b>Property investment</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Segment assets</i>					
Plant and equipment . . . . .	651	—	651	—	651
Investment properties . . . . .	—	34,600	34,600	—	34,600
Properties held for sale . . . . .	483,491	—	483,491	—	483,491
Other receivables . . . . .	1,107	—	1,107	112	1,219
Amounts due from related companies . . . . .	8,351	76	8,427	—	8,427
Amount due from a director . . . . .	105,739	—	105,739	—	105,739
Stakeholder's account . . . . .	10,522	—	10,522	—	10,522
Bank and cash . . . . .	20,927	—	20,927	241	21,168
	<u>630,788</u>	<u>34,676</u>	<u>665,464</u>	<u>353</u>	<u>665,817</u>
<i>Segment liabilities</i>					
Trade and other payables . . . . .	85,191	90	85,281	608	85,889
Amounts due to related companies . . . . .	570	6,503	7,073	193	7,266
Amounts due to directors . . . . .	204,092	7	204,099	1,319	205,418
Tax liabilities . . . . .	35,678	—	35,678	—	35,678
Borrowings . . . . .	222,946	—	222,946	—	222,946
	<u>548,477</u>	<u>6,600</u>	<u>555,077</u>	<u>2,120</u>	<u>557,197</u>

As at 31 December 2015

	<b>Property development</b>	<b>Property investment</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Segment assets</i>					
Plant and equipment . . . . .	504	—	504	133	637
Investment properties . . . . .	—	523,450	523,450	—	523,450
Deferred tax asset . . . . .	523	—	523	—	523
Properties held for sale . . . . .	528,269	—	528,269	—	528,269
Trade and other receivables . . . . .	15,786	1,605	17,391	5,886	23,277
Amounts due from related companies . . . . .	700	674	1,374	445	1,819
Stakeholder's account . . . . .	61,875	—	61,875	—	61,875
Bank and cash . . . . .	2,047	1,736	3,783	1,935	5,718
	<u>609,704</u>	<u>527,465</u>	<u>1,137,169</u>	<u>8,399</u>	<u>1,145,568</u>
<i>Segment liabilities</i>					
Trade and other payables . . . . .	114,999	2,587	117,586	606	118,192
Amounts due to related companies . . . . .	—	6,503	6,503	911	7,414
Amounts due to directors . . . . .	106,520	254,838	361,358	4,639	365,997
Tax liabilities . . . . .	609	510	1,119	—	1,119
Borrowings . . . . .	289,671	216,720	506,391	—	506,391
	<u>511,799</u>	<u>481,158</u>	<u>992,957</u>	<u>6,156</u>	<u>999,113</u>

**Other segment information**

For the year ended 31 December 2013

	<b>Property development</b>	<b>Property investment</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts included in the measure of segment profit or segment assets:					
Addition to non-current assets . . . . .	—	4,594	4,594	—	4,594
Gain arising on change in fair value of investment properties . . . . .	—	5,096	5,096	—	5,096
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit:					
Interest income . . . . .	4	—	4	—	4
Interest expense . . . . .	—	—	—	—	—
Income tax credit . . . . .	(212)	—	(212)	—	(212)



*For the year ended 31 December 2014*

	<b>Property development</b>	<b>Property investment</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts included in the measure of segment profit or segment assets:					
Addition to non-current assets . .	737	3,328	4,065	—	4,065
Depreciation . . . . .	86	—	86	—	86
Gain arising on change in fair value of investment properties	—	11,952	11,952	—	11,952
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit:					
Interest income . . . . .	251	—	251	—	251
Interest expense . . . . .	2,433	—	2,433	—	2,433
Income tax expense . . . . .	36,638	—	36,638	—	36,638

*For the year ended 31 December 2015*

	<b>Property development</b>	<b>Property investment</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts included in the measure of segment profit or segment assets:					
Addition to non-current assets . .	—	472,448	472,448	136	472,584
Depreciation . . . . .	147	—	147	3	150
Gain arising on change in fair value of investment properties	—	16,402	16,402	—	16,402
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit:					
Interest income . . . . .	638	—	638	—	638
Interest expense . . . . .	1,566	2,440	4,006	—	4,006
Income tax expense . . . . .	4,518	510	5,028	—	5,028

**Information about the addition to non-current assets**

The addition to non-current assets in property development segment represented acquisition of plant and equipment for the years ended 31 December 2014 and 2015. The addition to non-current assets in property investment segment represented acquisition of investment properties for the years ended 31 December 2013, 2014 and 2015.

**Geographical information**

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets are all located in Hong Kong by location of assets.

**Information about major customer**

Revenue from an individual customer contributed approximately HK\$40,565,000 of the total sales to the Group for the year ended 31 December 2015. The revenue is solely attributed to the property development segment.

No other revenue from transaction with a single external customer amounted to 10% or more of the total revenue of the Group during the Track Record Period.

## 9. OTHER INCOME

	Year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Interest income . . . . .	4	251	638
Forfeiture of deposits from tenants and property purchasers . . . . .	—	3,683	80
Temporary rental income from properties held for sale . . . . .	—	340	3,932
Properties management fees . . . . .	—	140	1,127
Others . . . . .	24	6	186
	<u>28</u>	<u>4,420</u>	<u>5,963</u>

## 10. FINANCE COSTS

	Year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Interest on:			
Bank borrowings wholly repayable within five years . . . . .	3,352	8,179	9,993
Loans from related parties . . . . .	<u>9,397</u>	<u>10,601</u>	<u>2,808</u>
Total borrowing costs . . . . .	12,749	18,780	12,801
Less: amount capitalised in cost of qualifying assets . . . . .	<u>(12,749)</u>	<u>(16,347)</u>	<u>(8,795)</u>
	<u>—</u>	<u>2,433</u>	<u>4,006</u>

## 11. PROFIT BEFORE TAX

	Year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:			
Directors' emoluments ( <i>note 12</i> ) . . . . .	296	52,866	1,975
Other staff cost:			
Salaries and other allowances . . . . .	1,083	7,324	2,165
Retirement benefit scheme contributions, excluding those of directors . . . . .	<u>27</u>	<u>36</u>	<u>72</u>
Total staff costs . . . . .	1,406	60,226	4,212
Less: capitalised in properties held for sale and investment properties . . . . .	<u>(1,366)</u>	<u>(1,377)</u>	<u>(2,150)</u>
	<u>40</u>	<u>58,849</u>	<u>2,062</u>
Auditors' remuneration . . . . .	219	793	708
Cost of inventories recognised as an expense . . . . .	—	315,527	41,513
Depreciation of property, plant and equipment . . . . .	—	86	150
Property agency commission (included in selling expenses) . . . . .	—	7,685	934
Legal and professional fees . . . . .	2,480	4,742	1,354
Gross rental income from investment properties . . . . .	—	46	5,159
Less: direct operating expenses incurred for investment properties that generated rental income (included in cost of sales and services) . . . . .	<u>—</u>	<u>(21)</u>	<u>(1,196)</u>
	<u>—</u>	<u>25</u>	<u>3,963</u>

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## Directors

Mr. Chan Man Fai, Joe, Mr. Lam Kin Kok, Mr. Liu Hon Wai and Ms. Cheung Wai Shuen were appointed as the directors of the Company on 4 March 2016, and their emoluments for the Track Record Period paid/payable by the group entities for their services provided to the Group are as follows:

	Year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Fee . . . . .	—	—	—
Salaries and other allowances . . . . .	284	4,286	1,927
Discretionary bonus ( <i>note</i> ) . . . . .	—	48,547	—
Retirement benefit scheme contributions . . . . .	12	33	48
	<u>296</u>	<u>52,866</u>	<u>1,975</u>

	Year ended 31 December											
	2013				2014				2015			
	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:												
Mr. Chan Man Fai, Joe . . . . .	—	—	—	—	830	20	2	852	600	—	6	606
Mr. Lam Kin Kok . . . . .	—	—	—	—	540	45,627	13	46,180	720	—	18	738
Mr. Liu Hon Wai . . . . .	244	—	12	256	2,736	—	13	2,749	247	—	6	253
Ms. Cheung Wai Shuen . . . . .	40	—	—	40	180	2,900	5	3,085	360	—	18	378
	<u>284</u>	<u>—</u>	<u>12</u>	<u>296</u>	<u>4,286</u>	<u>48,547</u>	<u>33</u>	<u>52,866</u>	<u>1,927</u>	<u>—</u>	<u>48</u>	<u>1,975</u>

Mr. Chan Man Fai, Joe is also the chief executive officer of the Company and his emoluments disclosed above included those services rendered by him as the chief executive officer. During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of them has waived or agreed to waive any emoluments during the Track Record Period.

During the years ended 31 December 2014 and 2015, the Group paid HK\$800,000 and HK\$480,000 respectively to a related company for the quarter provided to Mr. Chan Man Fai, Joe (note 31). These amounts have been included in salaries and other allowances.

During the years ended 31 December 2014 and 2015, the Group recognised agency commission of approximately HK\$2,496,000 and HK\$108,000 to Mr. Liu Hon Wai. These amounts have been included in salaries and other allowances.

Ms. Cheung Wai Shuen was employed by a related company before 30 September 2014. Part of her salaries of HK\$40,000 and HK\$90,000 were recharged to the Group for the years ended 31 December 2013 and 2014 respectively and included in salaries and other allowances. She has been employed by the Group since 1 October 2014.

*Note:* The discretionary bonus is determined with reference to the performance of sales of properties for the years of the group entities.

**Employees**

For the year ended 31 December 2013, there are only four paid individuals, including two directors, worked with the Group. The five highest paid individuals of the Group included three directors for the years ended 31 December 2014 and 2015 respectively, details of their emoluments are set out above. The emoluments of the remaining two individuals for the years ended 31 December 2013, 2014 and 2015 respectively, are as follows:

	Year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Salaries and other allowances . . . . .	1,083	504	1,320
Discretionary bonus . . . . .	—	5,200	110
Retirement benefit scheme contributions . . . . .	27	13	36
	<u>1,110</u>	<u>5,717</u>	<u>1,466</u>

The emoluments of the highest paid individuals fell within the following rank:

	Year ended 31 December		
	2013	2014	2015
Nil–HK\$1,000,000. . . . .	2	—	2
HK\$1,000,001–HK\$1,500,000. . . . .	—	1	—
HK\$4,500,001–HK\$5,000,000. . . . .	—	1	—
	<u>2</u>	<u>2</u>	<u>2</u>

**13. DIVIDEND**

The dividend declared by one of the Company's subsidiaries to its then shareholder during the year ended 31 December 2014 amounted to HK\$90,000,000. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

**14. INCOME TAX (CREDIT) EXPENSE**

	Year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Current tax . . . . .	469	35,975	5,551
Overprovision in prior years . . . . .	—	(18)	—
Deferred tax ( <i>note 18</i> ) . . . . .	(681)	681	(523)
	<u>(212)</u>	<u>36,638</u>	<u>5,028</u>

The Group is subject to Hong Kong Income Tax at a rate of 16.5% for the Track Record Period.

The tax (credit) expense for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Profit before tax . . . . .	16	232,728	42,130
Tax charge at Hong Kong Profits Tax Rate of 16.5% . . . . .	3	38,400	6,951
Tax effect of expenses not deductible for tax purpose . . . . .	904	1,238	857
Tax effect of income not taxable for tax purpose . . . . .	(1,066)	(3,290)	(3,016)
Tax effect of tax losses not recognised . . . . .	111	419	719
Utilisation of tax losses previously not recognised . . . . .	(164)	—	(494)
Overprovision in prior years . . . . .	—	(18)	—
Others . . . . .	—	(111)	11
Tax (credit) expense for the year . . . . .	(212)	36,638	5,028

#### 15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Group Reorganisation and the presentation of the Group's results for the Track Record Period is on a combined basis as disclosed in note 2.

#### 16. PLANT AND EQUIPMENT

	Leasehold	Office	Motor vehicles	Total
	improvement	equipment and		
	HK\$'000	furniture		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>				
As at 1 January 2013 and 31 December 2013 . . . . .	—	—	—	—
Additions . . . . .	—	—	737	737
As at 31 December 2014 . . . . .	—	—	737	737
Additions . . . . .	95	41	—	136
As at 31 December 2015 . . . . .	95	41	737	873
<b>DEPRECIATION</b>				
As at 1 January 2013 and 31 December 2013 . . . . .	—	—	—	—
Provided for the year . . . . .	—	—	86	86
As at 31 December 2014 . . . . .	—	—	86	86
Provided for the year . . . . .	2	1	147	150
As at 31 December 2015 . . . . .	2	1	233	236
<b>CARRYING VALUE</b>				
As at 31 December 2013 . . . . .	—	—	—	—
As at 31 December 2014 . . . . .	—	—	651	651
As at 31 December 2015 . . . . .	93	40	504	637

The plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvement	Over the lease term
Office equipment and furniture	10%–50%
Motor vehicles	20%

## 17. INVESTMENT PROPERTIES

	Investment properties under construction (at cost)	Investment properties under construction (at fair value)	Completed investment properties (at fair value)	Investment properties pending revitalisation (at fair value)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FAIR VALUE/COST					
At 1 January 2013 . . . . .	—	9,630	—	—	9,630
Additions . . . . .	3,260	1,334	—	—	4,594
Increase in fair value . . . . .	—	5,096	—	—	5,096
At 31 December 2013 . . . . .	3,260	16,060	—	—	19,320
Additions . . . . .	1,058	2,270	—	—	3,328
Transfer to fair value model . . . . .	(4,318)	4,318	—	—	—
Transfer upon completion . . . . .	—	(18,330)	18,330	—	—
Increase in fair value . . . . .	—	8,772	3,180	—	11,952
At 31 December 2014 . . . . .	—	13,090	21,510	—	34,600
Additions . . . . .	—	1,494	—	470,954	472,448
Increase in fair value . . . . .	—	7,186	7,170	2,046	16,402
At 31 December 2015 . . . . .	—	21,770	28,680	473,000	523,450

The fair values of the Group's investment properties under construction of approximately HK\$16,060,000, HK\$13,090,000 and HK\$21,770,000 as at 31 December 2013, 2014 and 2015; completed investment properties of approximately HK\$21,510,000 and HK\$28,680,000 as at 31 December 2014 and 2015; and investment properties pending revitalisation of approximately HK\$473,000,000 as at 31 December 2015, were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited which is a firm of independent qualified professional valuers not connected with the Group, and it has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuers' business address is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuations of completed investment properties and investment properties pending revitalisation were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The fair value of investment properties under construction has been arrived at using market evidence of transaction prices for similar properties in the same locations and conditions, taking into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date, the remainder of the cost and fees expected to be incurred for completing the development and developer's margin.

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

As at 31 December 2013, the fair value of investment properties under construction with carrying amounts of approximately HK\$3,260,000 was not reliably determinable, therefore, these investment properties under construction were measured at cost. During the year ended 31 December 2014, such investment properties under construction were constructed to a stage that the fair value can be reliably determined.

As at 31 December 2015, investment properties with fair value of approximately HK\$473,000,000 were under the application of revitalisation which were subject to be approved by the government authority. On 28 January 2016, the Group has received a letter from the government to consider the application of revitalisation of aforesaid investment properties.

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

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

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group worked closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

The following table gives information about how the fair values of these investment properties as at 31 December 2013, 2014 and 2015 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value as at 31 December 2013	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Sensitivity
	<i>HK\$'000</i>				
Investment properties under construction — carpark spaces	16,060	Level 3	Residual approach	Unit sale rate	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
				Expected developer profit margin at 30%	An increase in the expected profit would result in a decrease in fair value, and vice versa
				Estimated total construction cost to complete amounted to approximately HK\$2,286,000	An increase in the cost would result in a decrease in fair value, and vice versa
	<u>16,060</u>				

<u>Investment properties held by the Group</u>	<u>Fair value as at 31 December 2014</u>	<u>Fair value hierarchy</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Sensitivity</u>
	<i>HK\$'000</i>				
Investment properties under construction — carpark spaces	13,090	Level 3	Residual approach	Unit sale rate	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
				Expected developer profit margin at 30%	An increase in the expected profit would result in a decrease in fair value, and vice versa
				Estimated total construction cost to complete amounted to approximately HK\$4,354,000	An increase in the cost would result in a decrease in fair value, and vice versa
Completed investment properties — carpark spaces	21,510	Level 3	Direct comparison approach	Unit sale rate	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
	<u>34,600</u>				



<u>Investment properties held by the Group</u>	<u>Fair value as at 31 December 2015</u>	<u>Fair value hierarchy</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Sensitivity</u>
	<i>HK\$'000</i>				
Investment properties under construction — carpark spaces	21,770	Level 3	Residual approach	Unit sale rate  Expected developer profit margin at 30%  Estimated total construction cost to complete amounted to approximately HK\$2,857,000	An increase in the market unit sale rate would result in an increase in fair value, and vice versa  An increase in the expected profit would result in a decrease in fair value, and vice versa  An increase in the cost would result in a decrease in fair value, and vice versa
Investment properties pending revitalisation — Industrial building	473,000	Level 3	Direct comparison approach	Unit sale rate	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
Completed investment properties — carpark spaces	28,680	Level 3	Direct comparison approach	Unit sale rate	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
	<u>523,450</u>				

There were no transfers into Level 3 during the years ended 31 December 2013, 2014 and 2015.

As at 31 December 2015, completed investment properties with fair value of approximately HK\$28,680,000 have been pledged to a bank to secure a mortgage loan for a related company which is controlled by a director. The pledge has been released subsequently to 31 December 2015. There were no investment properties pledged for related company as at 31 December 2013 and 2014.

In addition, the Group's investment properties under construction and pending revitalisation have been pledged to secure banking borrowings granted to the Group. Details are set out in note 26.

**18. DEFERRED TAX ASSET**

	<b>Tax loss</b>
	<b>HK\$'000</b>
As at 1 January 2013 . . . . .	—
Credit to combined statement of profit or loss and other comprehensive income . . . . .	(681)
As at 31 December 2013 . . . . .	(681)
Charge to combined statement of profit or loss and other comprehensive income . . . . .	681
As at 31 December 2014 . . . . .	—
Credit to combined statement of profit or loss and other comprehensive income . . . . .	(523)
As at 31 December 2015 . . . . .	(523)

The Group has unutilised tax losses of approximately HK\$6,365,000, HK\$4,777,000 and HK\$9,309,000 as at 31 December 2013, 2014 and 2015 available for offset against future profits and such tax losses have no expiry date. Deferred tax asset has been recognised in respect of approximately HK\$4,127,000, nil and HK\$3,168,000 of such losses as at 31 December 2013, 2014 and 2015 respectively. No deferred tax asset has been recognised for the remaining HK\$2,238,000, HK\$4,777,000 and HK\$6,141,000 as at 31 December 2013, 2014 and 2015 due to the unpredictability of future profit streams in the respective entities.

**19. PROPERTIES HELD FOR SALE**

The properties under development are situated in Hong Kong and held under medium-term lease.

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
The Group's carrying amounts of properties held for sale, stated at cost, comprise:			
— Properties under development . . . . .	377,053	424,602	508,422
— Completed properties . . . . .	—	58,889	19,847
	<u>377,053</u>	<u>483,491</u>	<u>528,269</u>
Properties to be realised after one year . . . . .	<u>210,605</u>	<u>424,602</u>	<u>403,252</u>

In the opinion of the Directors, all properties held for sale are expected to be realised in the business cycle of two to three years.

As at 31 December 2015, completed properties held for sale with aggregated amount of approximately HK\$2,060,000 have been pledged to a bank to secure a mortgage loan for a related company which is controlled by a director. The pledge has been released subsequently to 31 December 2015. There were no properties held for sale being pledged as at 31 December 2013 and 2014.

Details of properties held for sale pledged to secure bank borrowings granted to the Group are set out in note 26.

At 31 December 2013, 2014 and 2015, included in properties held for sale are interests capitalised of approximately HK\$13,058,000, HK\$11,095,000 and HK\$17,495,000 respectively.

## 20. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables for rental income . . . . .	—	—	532
Deposits and other receivables . . . . .	40	519	1,906
Prepayments			
— Prepaid property agent commission . . . . .	6,007	700	15,511
— Prepaid listing fees . . . . .	—	—	4,305
— Other prepayments . . . . .	—	—	1,023
	<u>6,047</u>	<u>1,219</u>	<u>23,277</u>

No credit term is allowed for trade receivables.

The Group's trade receivables based on invoice dates at the end of 31 December 2015 all fell within the aging of 1–30 days.

All of the Group's trade receivables are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

## 21. AMOUNTS DUE FROM RELATED COMPANIES

	Balance				Maximum amount outstanding		
	at 1				during years ended 31		
	January	Balance at 31 December			December		
	2013	2013	2014	2015	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Amounts due from related companies</b>							
Crystal Cay Assets Limited (“Crystal Cay”)							
<i>(note a)</i> . . . . .	—	2	2	2	2	2	—
GREIM <i>(note b)</i> . . . . .	5,261	90,267	8,425	1,817	90,267	90,267	8,425
	<u>5,261</u>	<u>90,269</u>	<u>8,427</u>	<u>1,819</u>			

Notes:

- (a) The amount is non-trade related, unsecured, interest free and repayable on demand. Mr. Chan Man Fai, Joe is a director and controlling shareholder of this company.
- (b) The amount is non-trade related, unsecured, interest free and repayable on demand. Mr. Chan Man Fai, Joe is a director and controlling shareholder of this company and Mr. Lam Kin Kok is a non-controlling shareholder of this company.

The Directors represent that the outstanding amounts due from related companies as at 31 December 2015 will be fully settled upon the Listing.

## 22. AMOUNTS DUE FROM (TO) DIRECTORS

	Balance at			Maximum amount outstanding			
	1 January	Balance at 31 December		during years ended 31 December			
	2013	2013	2014	2015	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Amount due from a director</b>							
Mr. Chan Man Fai, Joe . . . . .	—	—	105,739	—	—	105,739	105,739
<b>Amounts due to directors</b>							
Mr. Chan Man Fai, Joe . . . . .		80,629	185,391	345,970			
Mr. Lam Kin Kok . . . . .		2,400	20,027	20,027			
		83,029	205,418	365,997			

The amount due from a director is unsecured, interest-free and repayable on demand.

The amounts due to directors are unsecured and interest-free. The directors have agreed not to demand for repayment of the balances due to them until the Group has the financial ability to do so. Subsequent to 31 December 2015, the directors agreed to waive the balances due to them at an aggregate amount of HK\$190 million and the remaining balance of HK\$175,997,000 will be settled upon Listing

## 23. STAKEHOLDER'S ACCOUNT/BANK BALANCES AND CASH

The amounts comprise a stakeholder's account which is held by an independent intermediary for collecting sales receipts on the Group's behalf. The amounts are interest bearing at prevailing market interest rate of 0.01% per annum.

The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which are as follows:

	At 31 December		
	2013	2014	2015
Range of interest rate per annum:			
Bank balances. . . . .	0.001%–0.1%	0.001%–0.1%	0.001%–0.1%

## 24. TRADE AND OTHER PAYABLES

	At 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Trade payables . . . . .	—	8,220	—
Retention payables ( <i>Note</i> ). . . . .	9,390	8,226	10,618
Other payables, deposits received and accruals			
— Receipts in advance from properties pre-sold . . . . .	138,997	37,261	71,360
— Deposits received . . . . .	—	630	4,073
— Accrued construction costs . . . . .	17,611	28,496	30,191
— Others . . . . .	1,925	3,056	1,950
	167,923	85,889	118,192

*Note:* Approximately HK\$9,390,000, HK\$2,913,000 and HK\$5,305,000 as at 31 December 2013, 2014 and 2015 respectively were aged more than twelve months from the end of the reporting periods. All retention payables as at 31 December 2013, 2014 and 2015 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

No credit term is allowed for trade payables.

An aged analysis of the Group's trade payables based on invoice dates at the end of each reporting period is as follows:

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:			
1–30 days . . . . .	—	8,041	—
31–60 days . . . . .	—	179	—
	<u>—</u>	<u>8,220</u>	<u>—</u>

## 25. AMOUNTS DUE TO RELATED COMPANIES

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Amounts due to related companies</b>			
Vogue City Limited (“Vogue City”) ( <i>note a</i> ) . . . . .	—	20	—
Crystal Cay ( <i>note b</i> ) . . . . .	—	6,502	6,502
GREIM ( <i>note c</i> ) . . . . .	5	174	—
Metropolitan Apartments ( <i>note c</i> ) . . . . .	—	570	—
Galaxy Asset Management (HK) Limited (“GAMHK”) ( <i>note b</i> ) . . . . .	—	—	912
	<u>5</u>	<u>7,266</u>	<u>7,414</u>

### Notes:

- (a) The amount is non-trade related, unsecured, interest free and repayable on demand. Mr. Chan Man Fai, Joe is a director and controlling shareholder of this company.
- (b) The amounts are non-trade related, unsecured, interest free and repayable on demand. Mr. Chan Man Fai, Joe is a director and controlling shareholder of these companies.
- (c) The amounts are non-trade related, unsecured, interest free and repayable on demand. Mr. Chan Man Fai, Joe is a director and controlling shareholder of these companies and Mr. Lam Kin Kok is a non-controlling shareholder of these companies.

The Directors represent that the outstanding amounts due to related companies as at 31 December 2015 will be fully settled upon the Listing.

## 26. BORROWINGS

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings . . . . .	152,946	204,224	484,861
Loans from related companies (below) . . . . .	86,677	18,722	21,530
	<u>239,623</u>	<u>222,946</u>	<u>506,391</u>
Secured . . . . .	152,946	204,224	484,861
Unsecured . . . . .	86,677	18,722	21,530
	<u>239,623</u>	<u>222,946</u>	<u>506,391</u>
Borrowings are repayable as follows:			
Within one year . . . . .	86,677	—	—
More than one year, but not exceeding two years . . . . .	—	—	21,530
More than two years, but not exceeding five years . . . . .	—	18,722	—
	<u>86,677</u>	<u>18,722</u>	<u>21,530</u>
Scheduled payment terms of bank borrowings contain a repayment on demand clause (shown under current liabilities)			
Within one year . . . . .	147,968	135,024	69,200
More than one year, but not exceeding two year . . . . .	4,978	69,200	198,941
More than two years, but not exceeding five years . . . . .	—	—	216,720
	<u>152,946</u>	<u>204,224</u>	<u>484,861</u>
	239,623	222,946	506,391
Less: amounts due within one year shown under current liabilities . .	<u>(239,623)</u>	<u>(204,224)</u>	<u>(484,861)</u>
Amount shown under non-current liabilities . . . . .	<u>—</u>	<u>18,722</u>	<u>21,530</u>

Bank borrowings are pledged by the following properties of the Group:

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for sale			
— under development, at cost . . . . .	377,053	424,602	508,422
Investment properties			
— under construction, at cost . . . . .	3,260	—	—
— under construction, at fair value . . . . .	16,060	13,090	21,770
— pending revitalisation, at fair value . . . . .	—	—	473,000
	<u>19,320</u>	<u>13,090</u>	<u>494,770</u>

All bank borrowings were also secured by the personal guarantee from directors, Mr. Chan Man Fai, Joe and Mr. Lam Kin Kok, and corporate guarantee from GAMHK. The amounts of guarantee provided by directors and GAMHK are as follows:

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Chan Man Fai, Joe . . . . .	458,880	286,880	671,880
Mr. Lam Kin Kok . . . . .	—	7,000	7,000
GAMHK . . . . .	<u>458,880</u>	<u>293,800</u>	<u>293,800</u>

The above guaranteed amounts are jointly provided by all parties up to the maximum aggregate sum of loan facility or a specific amount as stated in the banking facility letters, whichever is lower.

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or reset dates) are as follows:

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate borrowings:			
Within one year . . . . .	86,677	—	—
In more than one year but not more than two years . . . . .	—	—	21,530
In more than two years but not more than five years . . . . .	—	18,722	—
	<u>86,677</u>	<u>18,722</u>	<u>21,530</u>

The exposure of the Group's variable-rate bank borrowings and the contractual maturity dates (or reset dates) are as follows:

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Variable-rate bank borrowings:			
Within one year . . . . .	147,968	135,024	69,200
In more than one year but not more than two years . . . . .	4,978	69,200	198,941
In more than two years but not more than five years . . . . .	—	—	216,720
	<u>152,946</u>	<u>204,224</u>	<u>484,861</u>

The Group's variable-rate bank borrowings carry interest at prime rate minus 2.5% per annum and 1-month Hong Kong Interbank Offered Rate plus a range of 1.5% to 3.5% per annum offered by respective banks.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 31 December		
	2013	2014	2015
Effective interest rate:			
Fixed-rate borrowings . . . . .	0–15%	8–15%	15%
Variable-rate bank borrowings . . . . .	<u>3.4%–3.71%</u>	<u>0.8%–3.5%</u>	<u>2.1%–3.6%</u>

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loans from related companies</b>			
Crystal Harbour Development Limited (“Crystal Harbour Development”) ( <i>notes a, d</i> ) . . . . .	8,140	9,361	10,765
South Project Investment Limited (“South Project”) ( <i>notes a, d</i> ) . . .	8,140	9,361	10,765
Sunny Generation Limited (“Sunny Generation”) ( <i>notes b, d</i> ) . . . . .	35,199	—	—
Vogue Town Limited (“Vogue Town”) ( <i>notes b, d</i> ) . . . . .	35,198	—	—
Galaxy China Property Fund SPC ( <i>notes c, d</i> ) . . . . .	—	—	—
	<u>86,677</u>	<u>18,722</u>	<u>21,530</u>

*Notes:*

- (a) Loans from Crystal Harbour Development and South Project were unsecured, interest-free and with original maturity date on 31 December 2013. On 1 January 2014, the maturity date of the loans was extended to 30 June 2017 and carried interest at 15% per annum.
- (b) Loans from Sunny Generation and Vogue Town were unsecured, carried interest at 15% per annum and repayable on or before 31 December 2014. The loans were fully settled in 2014.
- (c) Loans from Galaxy China Property Fund SPC of HK\$5,000,000 carrying interest of 8% per annum was raised in 2014 and fully repaid on 7 October 2014 before the maturity date (i.e. 31 December 2014).
- (d) A director of the Company is a controlling shareholder of these related companies.

**27. SHARE CAPITAL**

For the purpose of the Financial Information, the share capital shown on the combined statements of financial position represented the sum of share capital of the following group entities:

	At 31 December		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Star Property Management . . . . .	1	1	1
Star Properties (HK) . . . . .	1	1	1
Bright Port . . . . .	1	1	1
Celestial Design . . . . .	8	8	8
New Moon . . . . .	780	780	780
Inventive Rainbow . . . . .	780	780	780
Diamond Vantage ( <i>Note a</i> ) . . . . .	N/A	1	1
	<u>1,571</u>	<u>1,572</u>	<u>1,572</u>

	At 31 December		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Shown in the Financial Information . . . . .	<u>2</u>	<u>2</u>	<u>2</u>



*Notes:*

- (a) Diamond Vantage was incorporated during the year ended 31 December 2014 and hence no share capital for the company was presented as at 31 December 2013.
- (b) The share capital of Eagle Charm, Spring Moon, Fountain Inc and Rainbow Red are eliminated and not shown above as they are subsidiaries of Star Property Management, Celestial Design, New Moon and Inventive Rainbow respectively.

**28. OPERATING LEASES****The Group as lessee**

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

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year . . . . .	<u>—</u>	<u>150</u>	<u>2,200</u>

**The Group as lessor**

For the years ended 31 December 2013, 2014 and 2015, property rental income earned from investment properties and properties under development were aggregated to Nil, HK\$386,000 and HK\$9,091,000 respectively. Properties held have committed tenants for the next one to three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year . . . . .	<u>—</u>	<u>3,460</u>	<u>11,472</u>
In the second to fifth year inclusive . . . . .	<u>—</u>	<u>3,136</u>	<u>15,118</u>
	<u>—</u>	<u>6,596</u>	<u>26,590</u>

**29. COMMITMENT**

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expenditure in respect of the properties development project contracted for but not provided in the Financial Information . . . . .	<u>195,038</u>	<u>28,381</u>	<u>158,299</u>

**30. RETIREMENT BENEFIT PLANS**

The Group operates a Mandatory Provident Fund Scheme for its qualifying employees in Hong Kong (the "MPF Scheme"). The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs monthly to the MPF Scheme, subject to a maximum amount of HK\$1,250 from 1 January 2013 to 31 May 2014 and HK\$1,500 from 1 June 2014 per month for each employee, which contribution is matched by employees.

## 31. RELATED PARTY DISCLOSURES

## (I) Transactions

The Group had the following transactions with related parties during the Track Record Period:

Name of related parties	Nature of transaction	Year ended 31 December		
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
Creative Sky Limited ("Creative Sky")	Sales of properties (note a)	—	322	—
Crystal Harbour Development	Finance cost (note b)	—	1,221	1,404
GAMHK	Service fee (note c)	—	588	270
	Discretionary bonus (note d)	—	1,405	—
	Rental expense (note i)	—	—	642
Galaxy China Property Fund SPC	Finance cost (note b)	—	59	—
Grand Silver (Hong Kong) Limited ("Grand Silver")	Sales of properties (note a)	—	27,364	—
Island Wealth Limited ("Island Wealth")	Consultancy services fee (note e)	—	900	—
Metropolitan Wine Cellar Limited ("Metropolitan Wine")	Entertainment expense (note f)	—	532	—
Shun Shing Contractors Limited ("Shun Shing")	Construction costs (note g)	87,064	157,936	—
South Project	Finance cost (note b)	—	1,221	1,404
Sunny Generation	Finance cost (note b)	4,698	4,050	—
	Rental expenses (note i)	—	360	150
Vogue City	Motor vehicles expenses (note j)	—	20	—
Vogue Town	Finance cost (note b)	4,699	4,050	—
	Rental of director's quarters (note h)	—	800	480

## Notes:

- (a) Properties were sold to Creative Sky and Grand Silver at estimated cost at the time of sales.
- (b) For the years ended 31 December 2013, 2014 and 2015, the loans from related companies carried interest at 15% per annum, except for (1) the loan from Galaxy China Property Fund SPC, which carried interest at 8% per annum, raised in 2014 and was fully repaid on 7 October 2014; and (2) loans from Crystal Harbour Development and South Project which were unsecured and interest-free in 2013. Details are set out in note 26.
- (c) Service fee represents administrative expenses recharged by GAMHK at cost.

- (d) Discretionary bonus was paid to staff and key management of the related company for their contribution in the Group's properties development project.
- (e) Island Wealth provided consultancy services to the Group at a fee agreed by both parties. Mr. Chan Man Fai, Joe has significant influence over Island Wealth.
- (f) Entertainment expense represents purchase of wine from Metropolitan Wine at a price agreed by both parties.
- (g) Shun Shing was engaged as the main contractor of the properties development project and construction costs were based on tender agreement.
- (h) The rental expenses represent the leasing of a director's quarters for Mr. Chan Man Fai, Joe from Vogue Town at a price agreed by both parties.
- (i) Rental expense charged by GAMHK and Sunny Generation was based on office area occupied by the Group and at a rent agreed by both parties.
- (j) Motor vehicle expenses represent the rental of motor vehicle from Vogue City at a price agreed by both parties.

A director of the Company has significant influence over the above related companies.

## **(II) Balances**

Details of balances with related parties are set out in notes 21, 22, 25 and 26.

## **(III) Compensation of key management personnel**

The Directors are identified as key management members of the Group, and their compensation during the Track Record Period is set out in note 12.

One of the Directors, Ms. Cheung Wai Shuen, was employed by a related company before 30 September 2014. Part of her salaries of HK\$40,000 and HK\$90,000 were recharged to the Group for the year ended 31 December 2013 and 2014 respectively. She has been employed by the Group since 1 October 2014.

## **(IV) Personal and corporate guarantee**

Details of bank borrowings secured by personal guarantee provided by Mr. Chan Man Fai, Joe and Mr. Lam Kin Kok and corporate guarantee from GAMHK are disclosed in note 26. The Directors represent that the personal and corporate guarantees will be released upon Listing.

## **(V) Properties held for sale and investment properties pledged by a related company**

As at 31 December 2015, completed investment properties with fair value of HK\$28,680,000 (note 17) and completed properties held for sale amounting to HK\$2,060,000 (note 19) have been pledged to a bank to secure a mortgage loan for a related company. The Directors represent that the pledges as at 31 December 2015 will be released upon the Listing. There were no investment properties or properties held for sales pledged for related company as at 31 December 2013 and 2014.

## **(VI) Corporate guarantee to a related company**

As at 31 December 2015, Fountain Inc has provided corporate guarantee of HK\$100,000,000 to secure a banking facility granted to a related company controlled by a director of the Company. The Directors represent that the guarantee as at 31 December 2015 will be released upon the Listing. There were no corporate guarantee provided to related company as at 31 December 2014 and 2013. Details of the guarantee is set out in note 32.

**32. CONTINGENT LIABILITY**

As at 31 December 2015, Fountain Inc has provided corporate guarantee of HK\$100,000,000 to secure a banking facility granted to a related company. The fair value of financial guarantee is determined by reference to valuation report of an independent professional valuer. At the end of the reporting period, the Group has not recognised liabilities in respect of the above guarantee issued because the fair value of this guarantee was insignificant. The Directors represent that the guarantee as at 31 December 2015 will be released upon the Listing.

**33. MAJOR NON-CASH TRANSACTIONS**

On 31 December 2015, Mr. Chan Man Fai, Joe, Bright Port and Spring Moon entered into an intercompany balance transferral agreement to offset the amount due from Mr. Chan Man Fai, Joe of HK\$105,661,376 in Bright Port against the amount due to him in Spring Moon.

**B. EVENTS AFTER THE END OF THE REPORTING PERIOD**

Subsequent to 31 December 2015, the Group has the following subsequent events:

- (i) On 18 March 2016, a related company controlled by a director of the Company, Galaxy Real Estate Services (BVI) Limited, acquired the entire share capital of Eagle Charm from Star Property Management at a nominal consideration of HK\$1. The management considered that the financial impact as a result of this transaction was insignificant.
- (ii) Subsequent to 31 December 2015, two directors of the Company agreed to waive the balances due to them at an aggregate amount of HK\$190 million and this amount will be capitalised upon Listing.
- (iii) Pursuant to the written resolution passed by the shareholders of the Company on 27 June 2016, conditional upon the crediting of the Company's share premium account as a result of the issue of the 167,999,000 shares in connection with the initial listing of the shares of the Company by way of global offering, the directors of the Company are authorised to capitalise an amount of HK\$1,679,990 standing to the credit of the share premium account of the Company. The shares to be allotted and issued pursuant to the resolutions shall rank *pari passu* in all respects with the existing issued shares; and
- (iv) A share option scheme has been approved by the board of directors of the Company on 27 June 2016. Details of the share option scheme are set out in section headed Share Option Scheme of the Prospectus. No share option has been granted up to the date of this report.

**C. HOLDING COMPANY**

In the opinion of the Directors, the Company's ultimate holding company is Star Properties Holdings (BVI) Limited which is a private limited company incorporated in the British Virgin Islands.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the entities comprising the Group in respect of any period subsequent to 31 December 2015.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report on our financial information for the Track Record Period prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with the "Financial Information" in this prospectus and the "Accountants' Report" set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted combined net tangible assets of our Group prepared in accordance with Rule 4.29 (1) of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited combined net tangible assets of our Group as if the Global Offering had taken place on 31 December 2015.

The unaudited pro forma statement of adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the net tangible assets of our Group as at 31 December 2015 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group is prepared based on the audited combined net tangible assets of our Group as at 31 December 2015 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of our Group as at 31 December 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets of our Group per share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$</i> <i>(Notes 3 and 5)</i>
Based on a minimum Offer Price of				
HK\$1.44 per share . . . . .	<u>146,455</u>	<u>59,028</u>	<u>205,483</u>	<u>0.92</u>
Based on a midpoint Offer Price of				
HK\$1.62 per share . . . . .	<u>146,455</u>	<u>68,806</u>	<u>215,261</u>	<u>0.96</u>
Based on a maximum Offer Price of				
HK\$1.80 per share . . . . .	<u>146,455</u>	<u>78,584</u>	<u>225,039</u>	<u>1.00</u>

*Notes:*

- (1) The amount of audited combined net tangible assets of our Group as at 31 December 2015 amounting to approximately HK\$146,455,000 is extracted from the Accountants' Report of our Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 56,000,000 new shares to be issued at a minimum price of HK\$1.44 per share, a midpoint price of HK\$1.62 per share or a maximum price of HK\$1.80 per share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by our Group subsequent to 31 December 2015.

- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per share is arrived at on the basis of 224,000,000 shares in total, assuming that the issue of 56,000,000 new shares and the shares to be issued pursuant to the Capitalisation Issue had been completed on 31 December 2015. It has not taken into account any shares which may be allotted and issued pursuant to exercise of any options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to the Directors after 31 December 2015.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group, entered into subsequent to 31 December 2015.
- (5) The unaudited pro forma adjusted combined net tangible assets of our Group in the table above has not been adjusted to show the effect of the capitalisation of HK\$190,000,000 due to directors immediately upon the listing, (the “**Capitalisation**”). The unaudited pro forma adjusted combined net tangible assets of our Group after taking into account of the Capitalisation is set out below. The effect on per share amount is determined based on 224,000,000 shares as set out in note (3) above.

	<b>Based on a minimum Offer Price of <u>HK\$1.44 per share</u></b>	<b>Based on a midpoint Offer Price of <u>HK\$1.62 per share</u></b>	<b>Based on a maximum Offer Price of <u>HK\$1.80 per share</u></b>
Unaudited pro forma adjusted combined net tangible assets after taking into account of the Capitalisation	HK\$395.5 million	HK\$405.3 million	HK\$415.0 million
Unaudited pro forma adjusted combined net tangible assets per Share after taking into account of the Capitalisation	HK\$1.77	HK\$1.81	HK\$1.85

**B ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO  
FORMA FINANCIAL INFORMATION**

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

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Star Properties Group (Cayman Islands) Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Star Properties Group (Cayman Islands) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 December 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 June 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed global offering of shares on the Group's financial position as at 31 December 2015 as if the proposed global offering of shares had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

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

**Our Independence and Quality Control**

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

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



**Reporting Accountants' Responsibilities**

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

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

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

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

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

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

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

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

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

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 30 June 2016

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2016 of the property interests held by our Group.*



Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

30 June 2016

The Board of Directors

**Star Properties Group (Cayman Islands) Limited**

Unit 602B, 6/F,

Tower 1, Admiralty Centre,

18 Harcourt Road, Admiralty, Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Star Properties Group (Cayman Islands) Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 April 2016 (the “valuation date”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interests in Group I which are held for investment by the Group, property interest in Group II which are held for sale by the Group, property interest in Group III which are held for redevelopment by the Group and property interest in Group V which are contracted to be disposed by the Group by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession or subject to the existing tenancies and by making reference to comparable sales transactions as available in the relevant market.

In valuing the property interest in Group IV which is currently under development, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

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

In valuing the property interests of the Group in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken into account the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then ratable value is charged per annum from the date of extension.

We have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 28 November 2015 by Mr. Isaac Yip. Subsequent re-inspection of the properties was carried out in March 2016 by Ms. Tracy Yuen. Mr. Isaac Yip has 10 years' experience in the valuation of properties in Hong Kong and Ms. Tracy Yuen is a probationer of HKIS.

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

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HK\$).

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T. W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Director*

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*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

## GROUP I — PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN HONG KONG

<u>No.</u>	<u>Property</u>	Market value in existing state as at 30 April 2016 <i>HK\$</i>
1.	No. 22 Wang Yip Street South, Yuen Long, New Territories	473,000,000
2.	Heavy Goods Vehicle Parking Spaces Nos. HGV01, HGV02, HGV03, HGV04, HGV05 and HGV06 and Motorcycle Parking Spaces Nos. MP01 and MP02 on G/F and Light Goods Vehicle Parking Spaces Nos. LGV01, LGV02, LGV03, LGV04 and LGV05 and Car Parking Spaces Nos. PC-01, PC-02, PC-03, PC-04, PC-05, PC-06 and PC-07 on 1/F, “The Galaxy”, No. 313 Castle Peak Road Kwai Chung, Tsuen Wan, New Territories	28,680,000
<b>Sub-total:</b>		<b><u>501,680,000</u></b>

## GROUP II — PROPERTY INTEREST HELD FOR SALE BY THE GROUP IN HONG KONG

<u>No.</u>	<u>Property</u>	Market value in existing state as at 30 April 2016 <i>HK\$</i>
3.	Workshops 03 on 6/F, 06 on 12/F, 06 on 23/F, 06 on 25/F, 08 on 25/F and 07 on 28/F, “The Galaxy”, No. 313 Castle Peak Road Kwai Chung, Tsuen Wan, New Territories	25,970,000
<b>Sub-total:</b>		<b><u>25,970,000</u></b>

## GROUP III — PROPERTY INTEREST HELD FOR REDEVELOPMENT BY THE GROUP IN HONG KONG

<u>No.</u>	<u>Property</u>	Market value in existing state as at 30 April 2016 <i>HK\$</i>
4.	Nos. 11–15 Chai Wan Kok Street, Tsuen Wan, New Territories	193,000,000
<b>Sub-total:</b>		<b><u>193,000,000</u></b>

**GROUP IV — PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP IN HONG KONG**

<b>No.</b>	<b>Property</b>	<b>Market value in existing state as at 30 April 2016</b>
		<i>HK\$</i>
5.	“The Star”, Tsuen Wan, New Territories	599,480,000
	<b>Sub-total:</b>	<b>599,480,000</b>

**GROUP V — PROPERTY INTEREST CONTRACTED TO BE DISPOSED OF BY THE GROUP IN HONG KONG**

<b>No.</b>	<b>Property</b>	<b>Market value in existing state as at 30 April 2016</b>
		<i>HK\$</i>
6.	Light Goods Vehicle Parking Spaces Nos. LGV06, LGV07, LGV08, LGV09 and LGV10 and Car Parking Spaces Nos. PC-08, PC-09, PC-10, PC-11 and PC-12 on 2/F, “The Galaxy”, No. 313 Castle Peak Road Kwai Chung, Tsuen Wan, New Territories	13,200,000
	<b>Sub-total:</b>	<b>13,200,000</b>
	<b>Grand-total:</b>	<b>1,333,330,000</b>

## VALUATION CERTIFICATE

## GROUP I — PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN HONG KONG

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016 <i>HK\$</i>						
1.	No. 22 Wang Yip Street South, Yuen Long, New Territories  Yuen Long Town Lot No. 374	<p>The property comprises a whole block of 10-storey industrial building completed in 1988. G/F and 1/F to 8/F are workshop units and 12 car parking spaces are provided on Carpark Floor (in between G/F and 1/F).</p> <p>The property has a gross floor area of approximately 8,649.21 sq.m. (or 93,100 sq.ft.) or a saleable area of approximately 6,997.68 sq.m. (or 75,323 sq.ft.). The ancillary roof area is approximately 835.10 sq.m. (or 8,989 sq.ft.).</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Floor</u></th> <th style="text-align: left;"><u>Saleable Area</u></th> </tr> </thead> <tbody> <tr> <td>G/F</td> <td>1,042.27 sq.m. (or 11,219 sq.ft.)</td> </tr> <tr> <td>1/F to 8/F</td> <td>5,955.41 sq.m. (or 64,104 sq.ft.)</td> </tr> </tbody> </table> <p>The subject lot is held under New Grant No. 3186 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898 and statutorily renewed until 30 June 2047 at nil premium but subject to a payment of an annual Government rent of 3% of the rateable value for the time being of the lot.</p>	<u>Floor</u>	<u>Saleable Area</u>	G/F	1,042.27 sq.m. (or 11,219 sq.ft.)	1/F to 8/F	5,955.41 sq.m. (or 64,104 sq.ft.)	<p>As at the valuation date, 1/F and 6/F workshop units of the property with saleable area of approximately 1,488.85 sq.m. (or 16,026 sq.ft.) were vacant while the remaining units and car parking spaces were leased to independent third parties for industrial, storage and car parking uses for the terms expiring between 27 October 2016 and 2 October 2019 (except that the tenancy of Car Park No. L5 is on a monthly basis with no fixed date of termination), at a total monthly rent of HK\$736,195.60 inclusive of management fees, Government rent and rates.</p>	473,000,000
<u>Floor</u>	<u>Saleable Area</u>									
G/F	1,042.27 sq.m. (or 11,219 sq.ft.)									
1/F to 8/F	5,955.41 sq.m. (or 64,104 sq.ft.)									

Notes:

1. The property is situated on the north-eastern side of Wang Yip Street South close to the junction with Kwong Yip Street. The locality is characterized by middle-rise industrial buildings and residential development sites.
2. The registered owner of the property is Spring Moon Investments Limited, an indirect wholly-owned subsidiary of the Company, vide Assignment Memorial No. 15072902430169 dated 7 July 2015 for a consideration of HK\$430,000,000.
3. According to the Yuen Long Outline Zoning Plan No. S/YL/22 dated 11 December 2015, the site of the property is zoned as "Other Specified Uses (Business)".
4. Under the Government Grant, the subject lot shall be used only for industrial or godown purposes or both excluding any trade which is then or may thereafter declared to be an offensive trade under the Public Health and Urban Services Ordinance, or any enactment amending the same or substituted therefor.



5. Pursuant to the land search record, the property is subject to, *inter alia*, the following encumbrances:
  - a. Certificate of Compliance vide Memorial No. YL386802 dated 13 December 1988.
  - b. Modification Letter vide Memorial No. YL394517 dated 2 February 1989.
  - c. Mortgage to secure all moneys in respect of general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 15072902430179 dated 7 July 2015.
  
6. Our valuation has been made on the following basis and analysis:
  - a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property such as building conditions, nature and use of the property. These selected comparables are located at Tung Tau Industrial Area in Yuen Long and close to the subject property, which were transacted in 2014, 2015 and 2016. They are general industrial units in middle to high-rise buildings completed between 1983 and 1991 whilst the subject property is completed in 1988. The unit price of these comparables range from HK\$5,191/sq.ft. to HK\$6,124/sq.ft. on saleable area basis for workshop units on the upper floors, from HK\$7,658/sq.ft. to HK\$12,458/sq.ft. for the workshop units on G/F and from HK\$730,000/space to HK\$1,500,000/space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of HK\$5,482/sq.ft. on saleable area basis for the subject workshop units on the upper floors, average unit rate of HK\$9,500/sq.ft. for the workshop units on G/F and average unit rate of HK\$1,250,000/space for car parking spaces; and
  
  - b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in
				existing state as at 30 April 2016 HK\$
2.	Heavy Goods Vehicle Parking Spaces Nos. HGV01, HGV02, HGV03, HGV04, HGV05 and HGV06 and Motorcycle Parking Spaces Nos. MP01 and MP02 on G/F and Light Goods Vehicle Parking Spaces Nos. LGV01, LGV02, LGV03, LGV04 and LGV05 and Car Parking Spaces Nos. PC-01, PC-02, PC-03, PC-04, PC-05, PC-06 and PC-07 on 1/F, "The Galaxy", No. 313 Castle Peak Road Kwai Chung, Tsuen Wan, New Territories  142/11488th shares of Section E of Lot No. 693 in D.D. 445	The property comprises 6 heavy goods vehicle parking spaces, 2 motor cycle parking spaces on G/F, 5 light goods vehicle parking spaces and 7 private car parking spaces on 1/F of a 26-storey industrial building completed in 2014.  The subject lot is held under New Grant No. TW3554 for non offensive industrial purpose for a term of 75 years renewable for 24 years less the last 3 days thereof commencing from 1 July 1898 and statutorily renewed until 30 June 2047 at nil premium but subject to a payment of an annual Government rent of 3% of the rateable value for the time being of the lot.	As at the valuation date, save and except Motorcycle Parking Spaces Nos. MP01 and MP02 on the Ground Floor which were vacant, the property was licensed to various independent third parties for car parking use on monthly basis at a total monthly licence fee of HK\$65,200 inclusive of management fees, Government rent and rates.	28,680,000

*Notes:*

1. The subject building is situated on the north-western side of Castle Peak Road Kwai Chung close to the junction with Yip Shing Street. The locality is characterized by middle to high-rise industrial buildings.
2. The registered owner of the property is Diamond Vantage Limited, an indirect wholly-owned subsidiary of the Company, vide Assignment Memorial No. 15010501950040 dated 3 December 2014 (among other properties) for a consideration of HK\$6,503,042.75 (Re.: All car parking spaces of "The Galaxy").
3. According to the Kwai Chung Outline Zoning Plan No. S/KC/28 dated 13 June 2014, the site of the property is zoned as "Industrial".
4. Pursuant to the land search record, the property is subject to, *inter alia*, the following encumbrances:
  - a. Occupation Permit (Permit No. NT64/2014(OP)) vide Memorial No. 14090202220019 dated 25 August 2014.
  - b. Deed of Mutual Covenant and Management Agreement vide Memorial No. 14092902120036 dated 15 September 2014.
  - c. Mortgage for all moneys in favour of Shanghai Commercial Bank Limited vide Memorial No. 15030602150168 dated 11 February 2015.

5. Our valuation has been made on the following basis and analysis:
- a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. These selected comparables are car parking spaces on the lower floors of industrial buildings in Kwai Chung, which were transacted between 2015 and 2016. The unit price of these comparables range from HK\$1,100,000/space to HK\$1,280,000/space for private car parking spaces and HK\$1,560,000/space to HK\$2,200,000/space for heavy goods vehicle parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of HK\$1,200,000/space for private car parking spaces, HK\$60,000/space for motor cycle parking spaces, HK\$1,440,000/space for light goods vehicle parking spaces and HK\$2,160,000/space for heavy goods vehicle parking spaces; and
  - b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

## VALUATION CERTIFICATE

## GROUP II — PROPERTY INTEREST HELD FOR SALE BY THE GROUP IN HONG KONG

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016 <i>HK\$</i>
3.	Workshops 03 on 6/F, 06 on 12/F, 06 on 23/F, 06 on 25/F, 08 on 25/F and 07 on 28/F, “The Galaxy”, No. 313 Castle Peak Road Kwai Chung, Tsuen Wan, New Territories	The property comprises 6 workshop units of a 26-storey industrial building completed in 2014.  The property has a total gross floor area of approximately 474.92 sq.m. (or 5,112 sq.ft.) or a total saleable area of approximately 358.32 sq.m. (or 3,857 sq.ft.)	As at the valuation date, the property was vacant.	25,970,000
	359/11488th shares of Section E of Lot No. 693 in D.D. 445	The subject lot is held under New Grant No. TW3554 for non offensive industrial purpose for a term of 75 years renewable for 24 years less the last 3 days thereof commencing from 1 July 1898 and statutorily renewed until 30 June 2047 at nil premium but subject to a payment of an annual Government rent of 3% of the rateable value for the time being of the lot.		

*Notes:*

1. The subject building is situated on the north-western side of Castle Peak Road Kwai Chung section close to the junction with Yip Shing Street. The locality is characterized by middle to high-rise industrial buildings.
2. The registered owner of the property is Bright Port Holdings Limited, an indirect wholly-owned subsidiary of the Company, vide Assignment Memorial No. 11031401980034 dated 15 February 2011 (amongst other properties) for a consideration of HK\$56,500,000 (Re.: Section E of Lot No. 693 in D.D. 445).
3. According to the Kwai Chung Outline Zoning Plan No. S/KC/28 dated 13 June 2014, the site of the property is zoned as ‘Industrial’.
4. Pursuant to the land search record, the property is subject to, *inter alia*, the following encumbrances:
  - a. Occupation Permit (Permit No. NT64/2014(OP)) vide Memorial No. 14090202220019 dated 25 August 2014.
  - b. Deed of Mutual Covenant and Management Agreement vide Memorial No. 14092902120036 dated 15 September 2014.
5. Our valuation has been made on the following basis and analysis:
  - a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. These selected comparables are workshop units in the subject building and other newly completed buildings in Kwai Chung with similar size and nature, which were transacted in 2015 and 2016. The unit price of these comparables range from HK\$6,185/sq.ft. to HK\$7,419/sq.ft. on saleable area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of HK\$6,733/sq.ft. on saleable area basis for the subject property; and
  - b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

## VALUATION CERTIFICATE

## GROUP III — PROPERTY INTEREST HELD FOR REDEVELOPMENT BY THE GROUP IN HONG KONG

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 30 April 2016</u> <i>HK\$</i>
4.	Nos. 11–15 Chai Wan Kok Street, Tsuen Wan, New Territories  Section A of Lot No. 303 in D.D. 355	The property comprises a whole block of 3-storey industrial building completed in 1962.  The property has a gross floor area of approximately 3,807.00 sq.m. (or 40,979 sq.ft.) or a saleable area of approximately 3,332.40 sq.m. (or 35,870 sq.ft.). The ancillary roof area is approximately 1,115.00 sq.m. (or 12,002 sq.ft.).	As at the valuation date, except 1/F that was vacant, the property was leased to various independent third parties for the use of workshop and ancillary office which will be expired in 2016 at a total monthly rent of HK\$202,000 inclusive of management fees, government rates and rent.	193,000,000
		<b><u>Floor</u></b>	<b><u>Saleable Area</u></b>	
		G/F	1,022.30 sq.m. (or 11,004 sq.ft.)	
		1/F to 2/F	2,310.10 sq.m. (or 24,866 sq.ft.)	
		The subject lot is held under New Grant No. 3666 for industrial purpose for a term of 75 years renewable for 24 years less the last 3 days thereof commencing from 1 July 1898 and statutorily renewed until 30 June 2047 at nil premium but subject to a payment of an annual Government rent of 3% of the rateable value for the time being of the lot.		

Notes:

- The property is situated on the north-eastern side of Chai Wan Kok Street close to the junction with Pun Shan Street. The locality is characterized by low to high-rise industrial buildings.
- The registered owner of the property is Rainbow Red Holdings Limited, an indirect wholly-owned subsidiary of the Company, vide Assignment Memorial No. 14112402120165 dated 7 November 2014 for a consideration of HK\$173,000,000.
- According to the Tsuen Wan Outline Zoning Plan No. S/TW/32 dated 13 May 2016, the site of the property is zoned as 'Other Specified Uses (Business)'.

4. Pursuant to the land search record, the property is subject to, *inter alia*, the following encumbrances:
  - a. Notice No. WNZ/U25-23/0001/08 by The Building Authority under Section 24C (1) of the Buildings Ordinance vide Memorial No. 11071900990322 dated 8 July 2009 regarding a structure located at the yard on G/F facing Hing Fung Printing & Dyeing Factory Ltd and 2 structures located at roof.
  - b. Mortgage to secure all moneys in respect of general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial Nos. 14112402120176 dated 7 November 2014.
  - c. Release vide Memorial No. 16060300670084 dated 6 May 2016 (pending registration).
  - d. Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 14112402120188 dated 7 November 2014.
  - e. Release vide Memorial No. 16060300670096 dated 6 May 2016 (pending registration).
  - f. Mortgage for all moneys in favour of Shanghai Commercial Bank Limited vide Memorial No. 16060300670105 dated 6 May 2016 (pending registration).
  - g. Assignment of Rental and Sales Proceeds in favour of Shanghai Commercial Bank Limited vide Memorial No. 16060300670114 dated 6 May 2016 (pending registration).
5. Our valuation is carried out in accordance with the layout of the approved building plans. Besides, we have not taken account of the remedial costs of complying with aforesaid notice mentioned in note 4(a) in our valuation.
6. As advised by the Group, the property will be redeveloped into a 20-storey office building with total gross floor area of 14,397.307 sq.m. (or 154,973 sq.ft.). Application of lease modification has been submitted to the Lands Department.
7. Our valuation has been made on the following basis and analysis:
  - a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property such as nature and use of the property. These selected comparables are located at industrial area in Tsuen Wan and close to the subject property, which were transacted in 2015 and 2016. They are general industrial units in middle to high-rise buildings completed between 1984 and 1995 with better building conditions and facilities whilst the subject property is a low-rise industrial building completed in 1962. The unit price of these comparables range from HK\$3,338/sq.ft. to HK\$5,054/sq.ft. on saleable area basis for industrial units on the upper floors and from HK\$10,370/sq.ft. to HK\$13,208/sq.ft. for industrial units on G/F. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of HK\$10,100/sq.ft. on saleable area basis for the G/F of the subject property and average unit rate of HK\$3,292/sq.ft. for the upper floors; and
  - b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

## VALUATION CERTIFICATE

## GROUP IV — PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP IN HONG KONG

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market value in existing state as at 30 April 2016</u> <i>HK\$</i>
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5.	“The Star”, Tsuen Wan, New Territories  The Remaining Portion of Section B of Lot No. 693 in D.D. 445	The property comprises a parcel of land with a site area of approximately 929.03 sq.m. (or 10,000 sq.ft.) and a 19-storey industrial building known as “The Star” which was being constructed thereon as at the valuation date.	As at the valuation date, the property was under construction.	599,480,000
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The development will be completed in the fourth quarter of 2016. According to the approved building plans, upon completion the development will have a total gross floor area of approximately 8,822.691 sq.m. (or 94,967 sq.ft.). As per the latest developer's sales brochure, upon completion, the development will have a total saleable area of approximately 6,467.11 sq.m. (or 69,612 sq.ft.).

<u>Floor</u>	<u>Saleable Area</u>
G/F	129.97 sq.m. (or 1,399 sq.ft.)
1/F to 21/F (no 4/F, 13/F & 14/F)	6,337.14 sq.m. (or 68,213 sq.ft.)

Car parking facilities will be provided on G/F and 1/F with 3 heavy vehicle parking spaces, 7 light vehicle parking spaces, 8 private car parking spaces and 1 motor cycle parking spaces.

The total construction cost is estimated to be approximately HK\$311 Million, of which approximately HK\$215 Million had been paid as at the valuation date.

The subject lot is held under New Grant No. TW3554 for non offensive industrial purpose for a term of 75 years renewable for 24 years less the last 3 days thereof commencing from 1 July 1898 and statutorily renewed until 30 June 2047 at nil premium but subject to a payment of an annual Government rent of 3% of the rateable value for the time being of the lot.

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*Notes:*

1. The property is situated at No. 18 Yip Shing Street which is on the south-western side of Yip Shing Street. The locality is characterized by low to high-rise industrial buildings.
2. The registered owner of the property is Fountain Inc Limited, an indirect wholly-owned subsidiary of the Company, vide Assignment Memorial No. 13072300700048 dated 28 June 2013 for a consideration of HK\$162,800,000 (Re.: The Remaining Portion of Section B of Lot No. 693 in D.D. 445).
3. According to the Kwai Chung Outline Zoning Plan No. S/KC/28 dated 13 June 2014, the site of the property is zoned as 'Industrial'.
4. Pursuant to the land search record, the property is subject to, *inter alia*, the following encumbrances:
  - a. Debenture for all moneys in favour of Shanghai Commercial Bank Limited vide Memorial No. 13072300700051 dated 28 June 2013 (Re.: The Remaining Portion of Section B of Lot No. 693 in D.D. 445).
  - b. Assignment of Rentals and Sale Proceeds in favour of Shanghai Commercial Bank Limited vide Memorial No. 13072300700066 dated 28 June 2013 (Re.: The Remaining Portion of Section B of Lot No. 693 in D.D. 445).
  - c. Declaration of Fu Yat Lun Philip vide Memorial No. 15091802350018 dated 18 September 2015.
  - d. Supplemental Declaration of Fu Yat Lun Philip vide Memorial No. 15101400940036 dated 12 October 2015.
  - e. Second Supplement Declaration of Fu Yat Lun Philip vide Memorial No. 16040601620070 dated 31 March 2016.
5. As advised by the Group, the registered owner of the property has entered into various agreements for sale and purchase with various purchasers for the first hand sale of various uncompleted units in the property with a total gross floor area of approximately 8,467.27 sq.m. (or 91,142 sq.ft.). The sale and purchase of the said units in the property has not yet been completed and therefore has been included in our valuation. In arriving at our opinion of market value of the property, we have taken into account of the contracted price of the said units in the property.
6. Our valuation has been made on the following basis and analysis:
  - a. In our valuation, we have assumed that the property will be completed and finished in good standard compatible to similar newly completed industrial building according to the approved building plans and the latest developer's sales brochure provided by the Group.
  - b. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be HK\$769,430,000. In the course of valuation, reference has been made to sales evidence of similar industrial developments in the locality. These selected comparables are workshop units in the subject building and other newly completed buildings in Kwai Chung and Tsuen Wan with similar size and nature, which were transacted in 2015 and 2016. The unit rates of the comparables are in the region of HK\$16,648/sq.ft. to HK\$19,442/sq.ft. on saleable area basis for the workshops on G/F and from HK\$7,348/sq.ft. to HK\$15,405/sq.ft. for the workshops on upper floors. Appropriate adjustments are made to differences in location, size, time and other characters between the comparables and the subject property.



## VALUATION CERTIFICATE

GROUP V — PROPERTY INTEREST CONTRACTED TO BE DISPOSED OF BY THE GROUP  
IN HONG KONG

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016 <i>HK\$</i>
6.	Light Goods Vehicle Parking Spaces Nos. LGV06, LGV07, LGV08, LGV09 and LGV10 and Car Parking Spaces Nos. PC-08, PC-09, PC-10, PC-11 and PC-12 on 2/F, "The Galaxy", No. 313 Castle Peak Road Kwai Chung, Tsuen Wan, New Territories  60/11488th shares of Section E of Lot No. 693 in D.D. 445	The property comprises 5 light goods vehicle parking spaces and 5 private car parking spaces on 2/F of a 26-storey industrial building completed in 2014.  The subject lot is held under New Grant No. TW3554 for non offensive industrial purpose for a term of 75 years renewable for 24 years less the last 3 days thereof commencing from 1 July 1898 and statutorily renewed until 30 June 2047 at nil premium but subject to a payment of an annual Government rent of 3% of the rateable value for the time being of the lot.	As at the valuation date, the property was licensed to various purchasers under the relevant sale and purchase agreements for car parking use at a total monthly license fee of HK\$42,000 inclusive of management fees, government rent and rates.	13,200,000

*Notes:*

1. The subject building is situated on the north-western side of Castle Peak Road Kwai Chung close to the junction with Yip Shing Street. The locality is characterized by middle to high-rise industrial buildings.
2. The registered owner of the property is Diamond Vantage Limited, an indirect wholly-owned subsidiary of the Company, vide Assignment Memorial No. 15010501950040 dated 3 December 2014 (amongst other properties) for a consideration of HK\$6,503,042.75 (Re.: All car parking spaces of "The Galaxy").
3. According to the Kwai Chung Outline Zoning Plan No. S/KC/28 dated 13 June 2014, the site of the property is zoned as 'Industrial'.
4. Pursuant to the land search record, the property is subject to, *inter alia*, the following encumbrances:
  - a. Occupation Permit (Permit No. NT64/2014(OP)) vide Memorial No. 14090202220019 dated 25 August 2014.
  - b. Deed of Mutual Covenant and Management Agreement vide Memorial No. 14092902120036 dated 15 September 2014.
  - c. Mortgage for all moneys in favour of Shanghai Commercial Bank Limited vide Memorial No. 15030602150168 dated 11 February 2015.

- d. Provisional Agreements for Sale and Purchase with details as below:

<u>Parking Space No.</u>	<u>Date of Instrument</u>	<u>Memorial No.</u>	<u>In favour of</u>	<u>Consideration</u> (HK\$)
PC-08 on 2/F	26/12/2015	16012000510039	Bessie Limited	1,100,000
PC-09 on 2/F	28/12/2015	16012000510014	Tuscan Gold Limited	1,100,000
PC-10 on 2/F	29/12/2015	16012100420060	Jasper Holdings Limited	1,100,000
PC-11 and LGV10 on 2/F	25/12/2015	16012100420055	Lucca Holdings Limited	2,400,000
PC-12 on 2/F	30/12/2015	16012000510022	Jordan & Joshua Limited	1,100,000
LGV06 and LGV07 on 2/F	23/12/2015	16011900960242	Vintage Holdings Limited	2,600,000
LGV08 and LGV09 on 2/F	24/12/2015	16011900960250	Shiraz Limited	2,600,000

- e. Agreements for Sale and Purchase with details as below:

<u>Parking Space No.</u>	<u>Date of Instrument</u>	<u>Memorial No.</u>	<u>In favour of</u>	<u>Consideration</u> (HK\$)
PC-08 on 2/F	26/02/2016	16031400690030	Bessie Limited	1,100,000
PC-09 on 2/F	26/02/2016	16031400690062	Tuscan Gold Limited	1,100,000
PC-10 on 2/F	26/02/2016	16031601010075	Jasper Holdings Limited	1,100,000
PC-11 and LGV10 on 2/F	26/02/2016	16031601010061	Lucca Holdings Limited	2,400,000
PC-12 on 2/F	26/02/2016	16031400690047	Jordan & Joshua Limited	1,100,000
LGV06 and LGV07 on 2/F	26/02/2016	16031400690024	Vintage Holdings Limited	2,600,000
LGV08 and LGV09 on 2/F	26/02/2016	16031400690051	Shiraz Limited	2,600,000

5. Our valuation has been made on the following basis and analysis:

- a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. These selected comparables are car parking spaces on the lower floors of industrial buildings in Kwai Chung, which were transacted between 2015 and 2016. The unit price of these comparables range from HK\$1,100,000/space to HK\$1,280,000/space for private car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of HK\$1,200,000/space for private car parking spaces and HK\$1,440,000/space for light goods vehicle packing spaces; and
- b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 March 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

### 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 27 June 2016. A summary of certain provisions of the Articles is set out below.

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### *(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

### *(iv) Transfer of shares*

Subject to the Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is

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lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on

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or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

### **(b) Directors**

#### ***(i) Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company.

The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

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A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board

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may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

### *(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

### *(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.



**(v) *Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

**(vi) *Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

### **(c) Proceedings of the Board**

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **(d) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

### **(e) Meetings of member**

#### ***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

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Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

### *(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

### *(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

### *(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

**(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) *Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(f) *Accounts and audit***

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

### **(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.



**(h) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(k) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 4 March 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

### **(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### **(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

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A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### **(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### **(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### **(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 30 March 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

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As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### **(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### **(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 March 2016. Our registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. We have established a principal place of business in Hong Kong at Unit 602B, 6th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 May 2016. Ms. Cheung Wai Shuen was appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As a company incorporated in the Cayman Islands, our operations are subject to the Memorandum of Association and the Articles of Association and the Companies Law. A summary of certain provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in the share capital of our Company**

As of the date of incorporation of our Company, our Company had an authorised share capital of HK\$380,000, divided into 38,000,000 Shares of HK\$0.01 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- (a) on 4 March 2016, 100 Shares were allotted and issued as fully paid, of which 1 Share was issued to our initial subscriber, 89 Shares to Star Properties Holdings (BVI), a company wholly-owned by Mr. Joe Chan and 10 Shares to Eagle Trend (BVI), a company wholly-owned by Mr. Jack Lam, respectively. On the same day, the 1 Share held by our initial subscriber was subsequently transferred to Star Properties Holdings (BVI);
- (b) on 22 March 2016, 900 Shares were allotted and issued as fully paid, of which 828 Shares were issued to Star Properties Holdings (BVI) and 72 Shares were issued to Eagle Trend (BVI); and
- (c) pursuant to the extraordinary general meeting of our Shareholders held on 27 June 2016, the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of a further 962,000,000 Shares of HK\$0.01 each.

Immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$2,240,000, divided into 224,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and in “3. Extraordinary general meeting of our Shareholders held on 27 June 2016” below, there has been no alteration in the share capital of our Company since its incorporation.

**3. Extraordinary general meeting of our Shareholders held on 27 June 2016**

Pursuant to the extraordinary general meeting of our Shareholders held on 27 June 2016:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each;
- (b) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise an amount of HK\$1,679,990 (or any such amount any one Director may determine) from the amount standing to the credit of the share premium account of our Company and that the said sum be applied in paying up in full at par 167,999,000 Shares (or any such number of Shares any one Director may determine), such Shares to be allotted and issued, credited as fully paid at par to the Shareholders appearing on the register of members of our Company at the close of business on 27 June 2016 (or any such other date any one Director may determine) in proportion to their then shareholding in our Company and such Shares to be allotted and issued shall rank *pari passu* in all aspects with the then existing issued Shares and that our Directors were authorised to allot and issue the Shares under the Capitalisation Issue and to give effect to such capitalisation and distribution;
- (c) conditional upon:
  - (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Capitalisation Issue and upon exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;
  - (ii) the final Hong Kong dollar Offer Price having been fixed on or around the Price Determination Date; and
  - (iii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
    - (A) the Global Offering and the Over-allotment Option were approved and our Board was authorised and directed to allot and issue the Offer Shares pursuant to the Global Offering and the exercise of the Over-allotment Option, subject to such modifications, amendments, variations or otherwise as may be made by our Board (or any committee established by our Board) in their absolute discretion, and our Board or any committee established by our Board or any Director was hereby authorised and directed to effect such modifications, amendments, variations or otherwise as appropriate; and

- (B) the Listing was approved and our Board or any such committee of our Board or any Director was authorised and directed to do all such things and execute all such documents to implement the Listing;
- (C) the rules of the Share Option Scheme, the principal terms of which are set out in “— D. Share Option Scheme” in this Appendix, were approved and adopted; and our Directors or any committee established by our Board were authorised, at their sole discretion, to (aa) administer the Share Option Scheme; (bb) modify/amend the Share Option Scheme from time to time as required by the Stock Exchange; (cc) grant share options to subscribe for Shares under the Share Option Scheme before up to the limits referred to in the Share Option Scheme; (dd) allot, issue and deal with the Shares pursuant to the exercise of any share option which may be granted under the Share Option Scheme; (ee) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the share options granted under the Share Option Scheme and (ff) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme.
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of a dividend on Shares in accordance with the Articles, or pursuant to the exercise of any options which have been granted under the Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules or any specific authority granted by our Shareholders in general meetings, an aggregate member of Shares not exceeding 20% of the entire issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest;
- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to buy back Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate number of Shares not more than 10% of the entire issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate whichever is the earliest;
- (f) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in sub-paragraph (d) by the addition of the aggregate member of Shares of our Company which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or

issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to subparagraph (e) above;

- (g) Mr. Shiu Siu Tao, Mr. Lee Chung Ming Eric and Ms. Chan Wah Man Carman were appointed as independent non-executive Directors of our Company with effect from 27 June 2016; and
- (h) the Memorandum was approved and adopted in substitution for and to the exclusion of the existing memorandum of association of our Company with immediate effect and the Articles were approved and adopted in substitution for and to the exclusion of the then existing articles of association of our Company with effect from the Listing Date.

#### **4. Our subsidiaries**

Certain details of all of our subsidiaries are set out in Appendix I to this prospectus.

On 20 October 2014, 1 share of HK\$1.0 of Diamond Vantage was transferred from GRL 14 Limited to Crystal Cay. Save as disclosed above and in “History, Reorganisation and Corporate Structure” in this prospectus, there has been no alternation in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

#### **5. Corporate reorganisation**

In order to rationalise our structure and prepare for the Listing, we have undertaken several restructuring steps. See “History, Reorganisation and Corporate Structure” in this prospectus for details.

#### **6. Repurchase of our own securities**

As mentioned in “3. Extraordinary general meeting of our Shareholders held on 27 June 2016” above, a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed.

##### ***(a) Provisions of the Listing Rules***

The Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

##### ***(i) Shareholders’ approval***

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

*(ii) Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchase by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

*(iii) Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of repurchased securities*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

*(v) Suspension of repurchases*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results

announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(vi) Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be submitted to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report and accounts are required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company.

*(b) Reasons for repurchases*

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

*(c) Funding of repurchases*

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(d) General*

The exercise in full of the repurchase mandate, on the basis of 224,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 22,400,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting; or
- (iii) the date on which the repurchase mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed above, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.


**B. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Deed of Non-Competition;
- (b) the Deed of Indemnity; and
- (c) the Hong Kong Underwriting Agreement.

**2. Material intellectual property rights***(a) Trademarks*

As of the Latest Practicable Date, we have filed the following trademark applications which are pending, published and material to our business:

No.	Trademarks	Class	Applicant	Place of application	Application number	Filing date
1.	星星地產	36, 37	Star Properties (HK)	Hong Kong	303637972	22 December 2015
2.	STAR PROPERTIES	36, 37	Star Properties (HK)	Hong Kong	303638007	22 December 2015
3.	 STAR STAR	36, 37	Star Properties (HK)	Hong Kong	303712671	14 March 2016

*(b) Domain Names*

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain Name	Registered owner	Expiry date
1.	thestar.com.hk	Fountain Inc	3 June 2020
2.	starproperties.com.hk	Star Properties (HK)	28 February 2018



## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of interests

Immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange, will be as follows:

#### (i) *Interests of our Directors and chief executive in our Shares*

Name of our Director/ chief executive	Capacity/nature of interest	Number of Shares	Approximate percentage of total number of issued Shares (%)
Mr. Joe Chan . . . . .	Interest of a controlled corporation	154,336,000	68.9 (Note 1)
Mr. Jack Lam . . . . .	Interest of a controlled corporation	13,664,000	6.1 (Note 2)

*Notes:*

- Star Properties Holdings (BVI) is the registered and beneficial owner of these Shares. Star Properties Holdings (BVI) is wholly-owned by Mr. Joe Chan. By virtue of the SFO, Mr. Joe Chan is deemed to be interested in the same parcel of Shares in which Star Properties Holdings (BVI) is interested.
- Eagle Trend (BVI) is the registered and beneficial owner of these Shares. Eagle Trend (BVI) is wholly-owned by Mr. Jack Lam. By virtue of the SFO, Mr. Jack Lam is deemed to be interested in the same parcel of Shares in which Eagle Trend (BVI) is interested.

Save as disclosed above, none of our Directors or chief executive of our Company will, immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, have any interests or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange.

*(ii) Interests of substantial shareholders*

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, 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 our Company:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares held</u> <i>(Note 1)</i>	<u>Approximate percentage of shareholding interests in our Company (%)</u>
Mr. Joe Chan . . . . .	Interest of controlled corporation <i>(Note 2)</i>	154,336,000 (L)	68.9
Star Properties Holdings (BVI) . . .	Beneficial owner <i>(Note 2)</i>	154,336,000 (L)	68.9
Mr. Jack Lam . . . . .	Interest of controlled corporation <i>(Note 3)</i>	13,664,000 (L)	6.1
Eagle Trend (BVI). . . . .	Beneficial owner <i>(Note 3)</i>	13,664,000 (L)	6.1

*Notes:*

1. The letter “L” denotes the person’s long position (as defined under Part XV of the SFO) in the Shares.
2. Star Properties Holdings (BVI) is an investment holding company incorporated on 3 March 2016 in the BVI with limited liability and is wholly-owned by Mr. Joe Chan. By virtue of the SFO, Mr. Joe Chan is deemed to be interested in all Shares in which Star Properties Holdings (BVI) is interested.
3. Eagle Trend (BVI) is an investment holding company incorporated on 29 February 2016 in the BVI with limited liability and is wholly-owned by Mr. Jack Lam. By virtue of the SFO, Mr. Jack Lam is deemed to be interested in all Shares in which Eagle Trend (BVI) is interested.

**2. Directors’ service contracts and letters of appointment**

Our Company entered into a service contract with each of our executive Directors and non-executive Directors and a letter of appointment with each of our independent non-executive Directors on 27 June 2016. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

### 3. Directors' remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for the years ended 31 December 2013, 2014 and 2015 were approximately HK\$0.3 million, HK\$52.9 million and HK\$2.0 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended 31 December 2013, 2014 and 2015, by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2016 to be approximately HK\$2.4 million.

### 4. Directors' competing interests

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

### 5. Disclaimers

- (a) Save as disclosed in Note 31 to the Accountants' Report set out in Appendix I to this prospectus and "Connected Transaction" in this prospectus, none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (b) Save as disclosed in "Connected Transaction" in this prospectus, none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (c) Save as disclosed in "Business — Our Suppliers" and "Business — Our Customers" in this prospectus, none of our Directors and their close associates, and so far as is known to our Directors, none of our Shareholders who are interested in more than 5% of the number of issued shares of our Company, has any interest in our Company's five largest customers or five largest suppliers.

## D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on 27 June 2016.

### 1. Purpose of the Share Option Scheme

- (a) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) had made or may make to our Group.
- (b) The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:
  - (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
  - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.
- (c) For the purpose of the Share Option Scheme, “Eligible Participant” means any person who satisfies the eligibility criteria in paragraph 2 below.

### 2. Who may join and basis for determining eligibility

- (a) Our Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company (“**Affiliate**”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.
- (b) In order for a person to satisfy our Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (c) Each grant of options to a connected person (as defined in the Listing Rules) of our Company, or any of his associates (as defined in the Listing Rules), must be approved in accordance with the requirements of the Listing Rules.

- (d) Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements in paragraph 9 below.

### 3. Grant of options

- (a) On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time on a business day within ten years commencing on the effective date of the Share Option Scheme to offer the grant of an option to any Eligible Participant as our Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK\$1.0 (or such other sum in any currency as our Board may determine).
- (b) Subject to the provisions of the Share Option Scheme, the Listing Rules and any relevant laws and regulations, our Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set out in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):
- (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse, subject to the requirements in paragraph 9 below;
  - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent that it has not already been exercised) shall lapse unless otherwise resolved to the contrary by our Board, subject to the requirements in paragraph 9 below;
  - (iii) in the event that the Eligible Participant is a corporation, that any change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
  - (iv) in the event that the Eligible Participant is a trust, that any change of the beneficiary of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
  - (v) in the event that the Eligible Participant is a discretionary trust, that any change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
  - (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and

- (vii) if applicable, the satisfactory performance of certain obligations by the grantee.
- (c) Our Board shall not offer the grant of an option to any Eligible Participant:
  - (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the Listing Rules; or
  - (ii) within the period commencing one month immediately preceding the earlier of:
    - (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
    - (2) deadline for our Company to publish an announcement of its result for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.
- (d) Any grant of options to a connected person must be approved by all of our Company's independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee).

#### **4. Exercise Price**

The exercise price for any Share under the Share Option Scheme shall be a price determined by our Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange daily quotations sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10 below.

#### **5. Maximum number of Shares**

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed 30% of the issued share capital of our Company from time to time. No options may be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.
- (b) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by our Company shall not, in aggregate, exceed

10% of the issued share capital of our Company as at the Listing Date (without taking into account the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the options which may be or have been granted under the Share Option Scheme) (the “Scheme Mandate Limit”) unless Shareholders’ approval has been obtained pursuant to sub-paragraph (d) below.

- (c) The Scheme Mandate Limit may be renewed by the Shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the issued share capital of our Company as at the date of the approval of such renewal by the shareholders of our Company in general meeting. Upon such renewal, all options granted under the Share Option Scheme and any other share options schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option scheme of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit. A circular must be sent to the Shareholders of our Company containing such relevant information from time to time as required by the Listing Rules.
- (d) Our Board may seek separate Shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (e) No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the twelve- month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of our Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as our Company’s auditors or our Company’s independent financial adviser shall confirm in writing that the adjustments satisfy the requirements set out in paragraph 10.

#### **6. Time of exercise of option**

- (a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or

limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

**7. Rights are personal to grantee**

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

**8. Rights on ceasing to be an Eligible Participant**

Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements of paragraph 9 below.

**9. Rights on death/ceasing employment**

- (a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of twelve months following his death or such longer period as our Board may determine.
- (b) Subject to sub-paragraphs (c) and (d), if the grantee who is an employee ceases to be an employee for any reason other than his death, disability or the termination of his employment on one or more of the following grounds that:
  - (i) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his debts;
  - (ii) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraph (i) above;
  - (iii) a bankruptcy order has been made against the grantee in any jurisdiction; or
  - (iv) a petition for bankruptcy has been presented against the grantee in any jurisdiction;the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.
- (c) If the grantee is an employee, director, consultant, professional, agent, partner, advisor or contractor to our Group or its Affiliate at the time of the grant of the relevant option(s) and his employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such



grantee ceases to be an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate and not exercised) within six months following such cessation or such longer period as our Board may determine.

- (d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within three months following the date of such cessation or such longer period as our Board may determine.
- (e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of our Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his becoming a director of our Group or its Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless our Board shall determine to the contrary.
- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate (as the case may be) for any reason other than his death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of our Group or its Affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

#### **10. Effects of alterations to capital**

In the event of any alteration in our capital structure while an option remains exercisable, and such event arises from, including a capitalisation of our Company profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the options so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from our shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, independent financial adviser appointed by our Company or our Company's auditors must confirm to our Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

**11. Rights on a Takeover**

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

**12. Rights on a Scheme of Arrangement**

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

**13. Rights on a Voluntary Winding up**

In the event notice is given by us to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up us, we shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

**14. Rights attaching to Shares upon exercise of an option**

Shares allotted upon the exercise of an option shall rank *pari passu* in all respects with the existing fully paid Shares in issue at the date of allotment.

**15. Lapse of options**

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the exercise period;
- (b) the expiry of the periods referred to in paragraph 9;
- (c) the date of commencement of our Company's winding-up in respect of the situation contemplated in paragraph 13;
- (d) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;
- (e) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;
- (f) the happening of any of the following events, unless otherwise waived by our Board:
  - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
  - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
  - (iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
  - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
  - (v) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or
  - (vi) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;
- (g) the date on which a situation as contemplated under paragraph 7 arises;
- (h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by our Board; or

- (i) the date on which our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

#### **16. Cancellation of options granted**

Our Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued Shares in the authorised share capital of our Company, and available ungranted options (excluding for this purpose all the cancelled options) within the limits referred to in paragraph 5.

#### **17. Period of the Share Option Scheme**

Options may be granted to Eligible Participants under the Share Option Scheme during the period of ten years commencing on the effective date of the Share Option Scheme.

#### **18. Alteration to Share Option Scheme and Termination**

- (a) The Share Option Scheme may be altered in any respect by resolution of our Board except those specific provisions relating to matters in Rule 15.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders of our Company in general meeting.
- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders of our Company in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) We by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

#### **19. Administration of the Share Option Scheme**

The Share Option Scheme shall be subject to the administration of our Board or any committee established by our Board from time to time, whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

#### **20. Conditions of the Share Option Scheme**

The Share Option Scheme is conditional on:

- (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and

- (ii) the commencement of the dealings in the Shares on the Stock Exchange.

If any of the conditions above are not satisfied on or before 13 July 2016 (or such later date as the Shareholders may agree):

- (a) the Share Option Scheme shall forthwith determine;
- (b) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option granted thereunder.

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Our company will disclose in the annual and interim reports details of the Share Option Scheme including the number of options granted/exercised/cancelled/lapsed, date of grant, vesting period, exercise period and exercise price during the relevant financial year/period in accordance with the Listing Rules in force from time to time.

## **E. OTHER INFORMATION**

### **1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

### **2. Tax and Other Indemnities**

Our Controlling Shareholders have entered into a deed of indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being a contract referred to in “B. Further Information About Our Business — 1. Material contracts” in this appendix) to provide indemnities on a joint and several basis in respect of, among other things, taxation resulting from profits or gains earned, accrued or received, on or before the date on which the Global Offering becomes unconditional.

### **3. The Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive a fee of HK\$4.88 million for acting as the sponsor for the Listing.

#### 4. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in, or referred to in, this prospectus (the “**Experts**”) are set out below:

Name	Qualifications
Guotai Junan Capital Limited . . . . .	Licensed to conduct Type 6 (advising on corporate finance) of the regulated activities under the SFO
Deloitte Touche Tohmatsu . . . . .	Certified Public Accountants
Appleby . . . . .	Cayman Islands attorneys-at-law
Jones Lang LaSalle Corporate Appraisal and Advisory Limited .	Property valuer and industry consultant
Baker Tilly Hong Kong Risk Assurance Limited . . . . .	Internal control adviser
Vincent T.K. Cheung, Yap & Co. .	Legal adviser as to Hong Kong law

#### 5. Consents of Experts

Each of the Experts has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

#### 6. Interests of Experts

None of the Experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the Experts has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

#### 7. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

#### 8. Preliminary expenses

The preliminary expenses incurred by our Company amounted to approximately HK\$82,680 and were paid by our Company.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

**10. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**11. Miscellaneous**

- (a) Save as disclosed in “A Further Information about our Group” in this Appendix, “Underwriting” and “History, Reorganisation and Corporate Structure” in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group; and
  - (iii) no commission (except commission to sub-underwriters) has been paid or payable to any person for subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of our Company.
- (b) Save as disclosed in “D. Share Option Scheme” in this Appendix, no share or loan capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option.
- (c) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (d) our Company has no outstanding convertible debt securities or debentures.
- (e) there is no arrangement under which future dividends are waived or agreed to be waived.
- (f) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

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## APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **PINK** Application Forms;
- (b) the written consents referred to in “Statutory and General Information — E. Other Information — 5. Consents of experts” in Appendix V to this prospectus;
- (c) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further information about our business — 1. Material contracts” in Appendix V to this prospectus; and
- (d) the statement of adjustments in relation to the Accountants’ Report as set out in Appendix I to this prospectus received from Deloitte Touche Tohmatsu.

### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in “Appendix I — Accountants’ Report”;
- (c) the audited financial statements of Star Property Management (HK) Limited for each of the three years ended 31 December 2013, 2014 and 2015 or since its date of incorporation where there is a shorter period;
- (d) the audited financial statements of Star Properties (H.K.) Limited for each of the three years ended 31 December 2013, 2014 and 2015 or since its date of incorporation where there is a shorter period;
- (e) the audited financial statements of Bright Port Holdings Limited for each of the three years ended 31 December 2013, 2014 and 2015 or since its date of incorporation where there is a shorter period;
- (f) the audited financial statements of Spring Moon Investments Limited for each of the three years ended 31 December 2013, 2014 and 2015 or since its date of incorporation where there is a shorter period;
- (g) the audited financial statements of Fountain Inc Limited for each of the three years ended 31 December 2013, 2014 and 2015 or since its date of incorporation where there is a shorter period;



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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
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- (h) the audited financial statements of Rainbow Red Holdings Limited for each of the three years ended 31 December 2013, 2014 and 2015 or since its date of incorporation where there is a shorter period;
- (i) the audited financial statements of Diamond Vantage Limited for each of the three years ended 31 December 2013, 2014 and 2015 or since its date of incorporation where there is a shorter period;
- (j) the statement of adjustments for each of the three years ended 31 December 2015;
- (k) the letter relating to the unaudited pro forma financial statements of our Group, the text of which are set out in “Appendix II — Unaudited Pro Forma Financial Information” to this prospectus;
- (l) the property valuation report relating to our Group’s property interests prepared by JLL, the text of which is set out in “Appendix III — Property Valuation Report” to this prospectus;
- (m) the JLL Report;
- (n) the internal control report prepared by Baker Tilly Hong Kong Risk Assurance Limited;
- (o) the legal opinions prepared by Vincent T.K. Cheung, Yap & Co.;
- (p) the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law referred to “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus;
- (q) the material contracts referred to in “Statutory and General Information — B. Further information about our business — 1. Material contracts” in Appendix V to this prospectus;
- (r) the written consents referred to in “Statutory and General Information — E. Other Information — 5. Consents of experts” in Appendix V to this prospectus;
- (s) the service contracts and appointment letters referred to in “Statutory and General Information — C. Further information about our Directors and Chief Executive — 2. Directors’ Service Contracts and Letters of Appointment” in Appendix V to this prospectus;
- (t) the Companies Law; and
- (u) the rules of the Share Option Scheme.

