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Post Hearing Information Pack of

ALTUS

Altus Holdings Limited

浩德控股有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

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ALTUS

Altus Holdings Limited
浩德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares
[REDACTED] : Not more than HK\$[REDACTED] per
Share and expected to be not less than
HK\$[REDACTED] per Share plus
brokerage of 1.0%, SFC transaction
levy of 0.0027% and Stock Exchange
trading fee of 0.005% (payable in full
on application, and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : [REDACTED]

Joint Sponsors



ALTUS CAPITAL LIMITED

[REDACTED]

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The [REDACTED] is currently expected to be determined by agreement between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) on the [REDACTED], which is scheduled on or about [REDACTED], or such other date as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]). If our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) are unable to reach an agreement on the [REDACTED] on the [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.altus.com.hk. The [REDACTED] is expected to be not more than HK\$[REDACTED] per Share and not less than HK\$[REDACTED] per Share. The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with the consent of our Company, reduce the indicative [REDACTED] range to below that stated in this document at any time prior to the [REDACTED]. If this occurs, a notice of reduction of the indicative [REDACTED] range will be published on the Stock Exchange website at www.hkexnews.hk and our Company's website at www.altus.com.hk.

Prior to making investment decisions, prospective investors should consider carefully all of the information set out in this document, including but not limited to the risk factors set out in the section headed "Risk factors" of this document.

Prospective investors of the [REDACTED] should note that the Joint Sponsors and/or the [REDACTED] (for itself and on behalf of the [REDACTED]) are entitled to terminate the [REDACTED] Agreement by giving a notice in writing to our Company upon the occurrence of any of the events set out under the paragraph headed "Grounds for termination" under the section headed "[REDACTED]" of this document, at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Should the Joint Sponsors and/or the [REDACTED] (for itself and on behalf of the [REDACTED]) terminate the [REDACTED] Agreement, the [REDACTED] will not proceed and will lapse.

[REDACTED]

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document. This document may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

Prospective investors should rely only on the information contained in this document to make your investment decision. Our Company, the Joint Sponsors, the [REDACTED] and the [REDACTED], have not authorised anyone to provide prospective investors with information that is different from what is contained in this document. Any information or representation not contained in this document must not be relied on by prospective investors as having been authorised by our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give prospective investors an overview of the information contained in this document and should be read in conjunction with the full text of this document. As this is a summary, it does not contain all the information that may be important to prospective investors. Prospective investors should read the whole document before deciding to invest in the [REDACTED].

There are risks associated with any investment in companies listed on GEM. Some of the particular risks relating to investing in the [REDACTED] are set out in the section headed “Risk factors” of this document. Prospective investors should read that particular section carefully before deciding to invest in the [REDACTED]. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” of this document.

OVERVIEW

Our business model

We focus on corporate finance and property investment. We have been building up our expertise in both areas since 2001, when we successfully obtained the necessary licences for corporate finance work in Hong Kong and invested in our first real estate interest in Japan. Over the years, in addition to our own investments in Japan, we garnered experience in the Japan property market through participating in investment management of Japan residential real estate. Please refer to the section headed “History, Reorganisation and corporate structure” starting from page 111 of this document for details.

Corporate finance	Property investment
<ul style="list-style-type: none"> • focuses on Hong Kong market • generates revenue from providing financial advice, sponsorship services and compliance advice to companies listed on the Stock Exchange and private companies • licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO • revenue generated: <ul style="list-style-type: none"> • year ended 31 March 2015: HK\$15.4 million (44.7% of total revenue) • year ended 31 March 2016: HK\$26.8 million (55.7% of total revenue) 	<ul style="list-style-type: none"> • 14 buildings (with freehold land on which they are affixed) in Japan and one commercial unit in Hong Kong • generates revenue from rental income from tenants for mostly residential usage in Japan and commercial usage in Hong Kong • invest via the TK Arrangements (an ownership structure provided under the Commercial Code of Japan) (<i>Note</i>) • revenue generated: <ul style="list-style-type: none"> • year ended 31 March 2015: HK\$19.0 million (55.3% of total revenue) • year ended 31 March 2016: HK\$21.4 million (44.3% of total revenue)

SUMMARY

Note: A TK arrangement is a contractual arrangement provided under the Commercial Code of Japan. It is one of the commonly adopted ownership structures for foreign investors investing in Japan real estate. Please refer to the section headed “Our TK Arrangements” starting from page 186 and the paragraph headed “Common Japanese real estate investment structures for foreigners” under the section headed “Regulatory overview” starting from page 102 of this document for further details.

Our two distinct segments, differing in (i) business nature; (ii) industry; and (iii) geography, enable our Group to sustain ourselves through downturns in specific markets. In particular, the recurring nature of rental income complements the principal risk of the corporate finance business – that corporate finance services are generally rendered on a project-by-project basis. On the other hand, under favourable market conditions, our corporate finance business has strong potential for growth requiring comparatively less capital commitment than that entailed for similar growth in the property investment segment, which is inherently more capital intensive.

The geographic diversification offered by our business model also means that our Group is exposed to fluctuations in foreign exchange, specifically, the value of JPY to HK\$. To address this, we monitor the matching of the currencies of our debt with (i) the collateral assets; and (ii) the debt servicing income derived from our business activities. As at the Latest Practicable Date, loans to be serviced by rental income generated from and secured by our Properties in Japan were denominated in JPY; similarly, loans secured by our properties (for investment and self-occupation) in Hong Kong were serviced by income derived from Hong Kong and denominated in HK\$. Please refer to the paragraph headed “Foreign currency risk” under the section headed “Financial information” starting from page 285 of this document for sensitivity analysis of our Group’s foreign currency risk.

Our Group’s financial result for the year ending 31 March 2017

Prospective investors are specifically warned that our Group’s net profit for the year ending 31 March 2017 may show a substantial decline as compared to that of the previous financial year whereby a net loss will be expected. For further details, please refer to the paragraph headed “Recent developments and outlook” in this section.

Our competitive strengths and business strategies

Competitive strengths

We believe that our competitive strengths lie with (i) our experienced and long established management team, who have built up a network and reputation which has enabled our Group to obtain referrals from both existing clients and professional parties for our corporate finance activities and access to real estate investment opportunities; and (ii) our Group’s ability to withstand fluctuations in specific markets (as explained in the paragraph headed “Our business model” in this section), which enables us to maintain a stable advisory team. This, together with our meritocratic culture and our management’s commitment towards the personal development of our staff, enhances efficiency and quality of services, which are of fundamental importance to service providers. Please refer to the paragraph headed “Competitive strengths” under the section headed “Business” from page 132 of this document for details.

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Business strategies

To leverage on our competitive strengths and capture the opportunities offered by the growing pool of potential corporate finance clients (as evidenced by the increasing number of companies listed on the Stock Exchange, as set out in the section headed “Industry overview” starting from page 70 of this document), it is our intention to develop our two segments concurrently by (i) growing our existing corporate finance activities through enhancing human resources as well as broadening the scope of our corporate finance services; and (ii) retaining/enhancing our recurring income stream via repayment of existing debt financing, expanding and diversifying our property investment portfolio and utilising cash inflow from corporate finance activities as well as external funding (debt and equity). Please refer to the paragraph headed “Business strategies” under the section headed “Business” starting from page 132 of this document for details.

Operational information

We set out below a summary of key operational information in relation to our business activities. Please refer to the section headed “Business” starting from page 131 of this document for further information.

Corporate finance services

Type of services	No. of active engagements (Note 1) for the year ended 31 March		Revenue contribution of corporate finance activities for the year ended 31 March	
	2015	2016	2015 %	2016 %
Sponsorship (Note 2)	6	11	43.4	63.6
Financial advisory (Note 3)	36	44	37.1	23.8
Compliance advisory (Note 4)	4	7	14.9	12.0
Others (Note 5)	4	3	4.6	0.6
Total	50	65	100.0	100.0

Notes:

- Active engagements represent engagements from which our Group had derived income during the relevant financial year.
- As sponsor we (i) advise and guide the listing applicant as to the Listing Rules, GEM Listing Rules and other relevant legal and regulatory requirements; and (ii) provide assurance to the Stock Exchange and the market generally that the listing applicant complies with the Listing Rules, GEM Listing Rules and other relevant legal and regulatory requirements and that the listing document provides sufficient particulars and information for investors to form a valid and justifiable opinion of the listing applicant's shares, financial condition and profitability. Out of our completed sponsorship engagements since 1 April 2010 and up to the Latest Practicable Date, being engagements for which the client had successfully listed or which had otherwise been terminated, approximately 64.3% culminated in a

SUMMARY

successful listing for our clients. For illustrative purpose, assuming that all of our sponsorship engagements currently in progress are unsuccessful, our Group's listing success rate for sponsorship engagements which have been active at any point during the Track Record Period is approximately 28.6% (being four successful listing cases divided by 14 sponsorship engagements which we have derived income from during the Track Record Period, whereas one engagement was entered into subsequent to the Track Record Period). Please refer to the paragraph headed "Sponsorship" under the section headed "Business" starting from page 137 of this document for details.

3. This includes the provision of independent financial advice and recommendation to independent board committees and financial advice to companies listed on the Stock Exchange/private companies seeking to takeover public entities for certain transactions under the Listing Rules, GEM Listing Rules or the Takeovers Code.
4. As compliance adviser, we ensure listed issuers are properly guided and advised as to compliance with the Listing Rules or GEM Listing Rules and the Takeovers Code during the engagement term.
5. This includes listing agency services to ETFs seeking to list on the Stock Exchange.

	Outstanding contract value of mandates on hand as at 31 March 2016		
	Expected to be recognised during the year ending 31 March 2017 (Note 1) HK\$'000	Expected to be recognised during the year ending 31 March 2018 (Note 1) HK\$'000	Total HK\$'000
Sponsorship	17,030	4,080	21,110
<i>Adjusted for mutually terminated project subsequent to 31 March 2016 and up to the Latest Practicable Date (Note 2)</i>	<u>(2,000)</u>	<u>–</u>	<u>(2,000)</u>
	15,030	4,080	19,110
Compliance advisory	3,200	1,280	4,480
Financial advisory	915	–	915
Others	<u>152</u>	<u>–</u>	<u>152</u>
Total	<u>19,297</u>	<u>5,360</u>	<u>24,657</u>

Notes:

1. This is according to the latest timetables of our clients' projects which are subject to change. As stated in the section headed "Risk factors" of this document, our projects, particularly our sponsorship engagements, may be delayed or may not be successfully completed, and we therefore may not be able to bill the above contracted value or such billing may be delayed.
2. This amount refers to a sponsorship engagement which was mutually terminated in August 2016, please refer to the paragraph headed "Recent developments and outlook" in this section for further details.

SUMMARY

Clients and suppliers

We provide our services to a variety of clients such as listed companies in Hong Kong and private companies seeking to list on Main Board and/or GEM. During the year ended 31 March 2015, out of the 50 active engagements, 30 originated from 17 recurring clients. During the year ended 31 March 2016, out of the 65 active engagements, 37 originated from 22 recurring clients. By nature, corporate finance services are generally rendered on a per project basis, as such, the fee for the services we offer varies on a transaction-to-transaction basis. For the year ended 31 March 2015, four out of our Group's five largest customers were corporate finance clients, accounting for approximately 20.0% of our Group's total revenue. For the year ended 31 March 2016, our five largest customers (accounting for approximately 27.9% of total revenue) were all corporate finance clients. Our Directors note that our Group accounts for an insignificant share of the overall corporate finance industry in Hong Kong. During the Track Record Period, our five largest customers were all Independent Third Parties. Due to the nature of our corporate finance business, it does not have any suppliers.

Property investment activities

The table below sets out information relating to our Properties as broken down by geographical location.

City/region	Sapporo	Hakodate	Tokyo (Note 3)	Fukuoka (Note 4)	Kumamoto	Hong Kong
No. of Properties	8	1	2	2	1	1
No. of unit	298	44	13	22	35	1
Net lettable area (sq.ft.)	90,985	13,640	14,387	19,381	14,158	2,267
Average monthly rent per unit of net lettable area (HK\$ per sq.ft.) (Note 1)	9.86	8.63	19.07	9.50	13.25	62.29
Average occupancy rate (Note 2)	92.1%	90.8%	89.8%	87.1%	95.9%	100.0%
Contribution to rental income						
– For the year ended 31 March 2015	57.3%	7.9%	1.8%	11.8%	12.3%	8.9%
– For the year ended 31 March 2016	50.0%	6.2%	14.8%	10.9%	10.1%	8.0%

Notes:

1. Average monthly rent is calculated based on rental income generated during the Track Record Period divided by the number of months comprising the Track Record Period, being 24, or from the acquisition date to 31 March 2016, if acquired since the commencement of the Track Record Period.
2. Average occupancy rate is averaged over the Track Record Period or from the acquisition date to 31 March 2016 based on the number of units occupied out of total units.
3. The two Properties in Tokyo, being Azabu Sendaizaka Hills and Crown Building, were acquired in February and July 2015 respectively.
4. One Property in Fukuoka, being Wealth Fujisaki, was acquired in August 2014.

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Tenants and suppliers

We lease units of our Properties to individuals and corporations in Japan and Hong Kong. As disclosed in the paragraph headed "Characteristics of the types of residential units" in the section headed "Business" starting from page 159 of this document, target tenants profile of the residential units of our Properties in Japan includes students, young working singles and families. Our Directors noted that our Group's property investments account for an insignificant share of the overall Japanese real estate market. During the Track Record Period, we leased our unit in Hong Kong to an Independent Third Party, who was our third largest customer for the year ended 31 March 2015 and accounted for approximately 4.7% of our total revenue during such period, as a commercial office. In relation to our investment activities, as disclosed in the paragraph headed "Monitoring of the performance of our Properties" under the section headed "Business" starting from page 163 of this document, our Group engages property and asset managers to assist with the maintenance of our properties in Japan. In this regard, our suppliers are all based in Japan. During the year ended 31 March 2015, services obtained from our five largest suppliers accounted for approximately 17.2% of our property expenses whilst the five largest suppliers for the year ended 31 March 2016 accounted for approximately 17.3% of our property expenses. Save for KK Tenyu AM, being our associate, such tenants and suppliers are Independent Third Parties.

TK Arrangements

Our Group has adopted the TK structure for the investments in our 14 Properties in Japan. A TK arrangement is a contractual arrangement provided under the Commercial Code of Japan. It is one of the commonly adopted holding structures for foreign investors investing in Japan real estate, primarily for (i) tax benefits; (ii) non-recourse financing advantage; (iii) control over acquisition and disposal of properties; and (iv) limited legal liability. Through our TK Arrangements, while our Company has beneficial interests over our Properties in Japan, we do not have direct ownership of them. Details of such investment structure adopted in Japan and our Properties in Japan are set out in the paragraph headed "Common Japanese real estate investment structures for foreigners" under the section headed "Regulatory overview" and the paragraph headed "Property investment activities" under the section headed "Business" of this document respectively.

Under our TK Arrangement, the TK Operator owes its fiduciary duty to our TK Investor according to the Commercial Code of Japan. This however may not provide control as effective as direct ownership (for example, held through a wholly-owned subsidiary) in cases where the TK Operators and their respective directors do not act in favour of our TK Investor and/or are in violation of their obligations to us under our TK Arrangements, such as:

- the director of the TK Operator fails to deliver satisfactory performance and such director refuses to resign upon request of our TK Investor; or
- the director of the TK Operator unreasonably declines to carry out his/her duties or requests from our TK Investor (such as failure to adhere to or refusal to change frequency of TK distributions according to commercial need as set out in our TK Agreements).

SUMMARY

Should any of the above circumstances arise and cannot be resolved, we would need to terminate our relevant TK Agreement. Whereas under a direct ownership arrangement, the aforementioned circumstances can be resolved by way of shareholders' meeting to replace the director of the relevant property holding company. To this end, under our TK Arrangements we would need to carry out the following procedures, to protect and secure our interests:

- (i) terminate/cancel our existing TK Agreement with the subject TK Operator. Such termination will require at least three months' notice period, or at a shorter notice period or with immediate effect by compensating the TK Operator an equivalent amount of remuneration with reference to its annual remuneration stipulated under our TK Agreement in lieu of such notice period;
- (ii) upon termination of our TK Agreement, exercise the TK Investor's option to transfer shares in the TK Operator from its ISH (being the shareholder of the TK Operator) to us or a designated party (such as a new ISH) in order to take control of the TK Operator. To this end, we may incur professional fees (i.e. legal and accounting) to process such transfer of interests alongside establishment costs of the new TK structure; and
- (iii) in a situation where any existing ISH refuses to transfer the shares of the TK Operator, we would need to take legal action, for example file a petition with the court to protect and secure our interests in the underlying Properties, which would be time consuming and may require substantial resources.

Generally, in the event that the TK Operator is in breach of our TK Agreements, we may have to resort to legal actions to protect and secure our interests in the underlying Properties, which may potentially require resources and time.

For further details of our TK Arrangements and the associated risks, please refer to the section headed "Our TK Arrangements" and the sub-section headed "Risk relating to our TK Arrangements" under the section headed "Risk factors" of this document respectively.

Key financial information

The following is a summary of the combined statements of profit or loss and other financial information during the Track Record Period as derived from the Accountants' Report, the full text of which is set out in Appendix I to this document. This summary should be read in conjunction with the aforesaid Accountants' Report and the section headed "Financial information" starting from page 245 of this document.

SUMMARY

Summary of combined statements of profit or loss

	For the year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Revenue	34,414	48,160
Other income	4,233	13,082
Net increase/(decrease) in fair value of investment properties	6,166	(303)
Changes in fair value of derivative financial liabilities	(216)	(512)
Impairment loss on available-for-sale investments	–	(4,692)
Property expenses	(6,613)	(6,994)
Administrative and operating expenses	(19,316)	(27,708)
Share of results of associates	3,470	4,372
Finance costs	(2,478)	(3,317)
Profit before tax	19,660	22,088
Income tax expense	(3,706)	(4,395)
Profit for the year	15,954	17,693
Adjusted profit before tax for the year (<i>Note</i>)	13,494	25,998

Note: The adjustments are related to the exclusion of (i) changes in fair value of investment properties; and (ii) the one-off [REDACTED]. The adjusted figures are for illustration purposes and are not required under the HKFRSs.

	For the year ended 31 March			
Segment profit and margin	2015		2016	
	Segment profit	Segment profit margin	Segment profit	Segment profit margin
	HK\$'000		HK\$'000	
Corporate finance	6,851	44.6%	15,486	57.8%
Property investment	16,628	87.3%	11,578	54.2%

SUMMARY

Other income

	For the year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Bank interest income	5	0.1%	7	0.1%
Net exchange gain	341	8.0%	221	1.7%
Dividend income from				
available-for-sale investments (<i>Note 1</i>)	658	15.5%	8,038	61.4%
Gain on disposal of				
available-for-sale investments (<i>Note 2</i>)	36	0.9%	1,412	10.8%
Reversal of impairment allowances of trade				
receivables	5	0.1%	158	1.2%
Administrative fee income (<i>Note 3</i>)	2,902	68.6%	2,991	22.9%
Marketing service income (<i>Note 4</i>)	262	6.2%	230	1.7%
Sundry income	24	0.6%	25	0.2%
	<u>4,233</u>	<u>100.0%</u>	<u>13,082</u>	<u>100.0%</u>

Notes:

1. The increase is mainly attributable to the receipt of a special dividend from Saizen REIT following the disposal of its portfolio during the year ended 31 March 2016.
2. Such investments are securities listed on the Stock Exchange as well as the Singapore Stock Exchange Securities Trading Limited.
3. Administrative fee income is derived from the provision of administrative and accounting services to our associate, JRAM SG, the manager of Saizen REIT, and is calculated on a cost recovery basis taking into account time cost incurred by our staff and related expenses incurred for rendering the services.
4. Marketing service income represented income received from our associate, KK Tenyu AM, for the marketing activities undertaken by our Group which enabled us to refer customers to them.

Summary of financial position

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Non-current assets	400,639	427,677
Current assets	41,926	69,348
Current liabilities	(71,894)	(111,189)
Net current liabilities	(29,968)	(41,841)
Non-current liabilities	(68,734)	(75,269)
Net asset value	301,937	310,567

SUMMARY

Summary of cash flows

	For the year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Operating cash flow before movements		
in working capital and tax paid	16,493	20,012
Increase in trade and other receivables	(193)	(1,703)
Increase in trade and other payables	1,098	1,848
Cash generated from operations	17,398	20,157
Income tax paid	(2,241)	(616)
Net cash generated from operating activities	15,157	19,541
Net cash used in investing activities	(104,962)	(8,728)
Net cash generated from financing activities	97,969	10,019
Net increase in cash and cash equivalents	8,164	20,832
Cash and cash equivalents at beginning of the year	25,492	31,282
Effect of foreign exchange rate changes	(2,374)	1,699
Cash and cash equivalents at the end of the year	31,282	53,813

Key financial ratios

	As at 31 March	
	2015	2016
Net profit margin	46.4%	36.7%
Return on equity	5.3%	5.7%
Return on total assets	3.6%	3.6%
Current ratio	0.6 times	0.6 times
Debtors' turnover days	8.7 days	20.8 days
Gearing ratio (<i>Note 1</i>)	40.2%	51.7%
Debt to equity ratio (<i>Note 2</i>)	30.4%	34.4%
Interest coverage	8.9 times	7.7 times

Notes:

- Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective financial year.
- Debt to equity ratio is calculated by dividing net debt (total debt less bank balances and cash) by total equity as at the end of respective financial year.

SUMMARY

Revenue and profit

Our Group's total revenue recorded a growth of approximately 39.9% from approximately HK\$34.4 million for the year ended 31 March 2015 to approximately HK\$48.2 million for the year ended 31 March 2016. Such growth is primarily attributable to significant growth in service fee income from corporate finance activities, in particular, sponsorship activities. During the year ended 31 March 2015, at approximately 55.3%, rental income from our Properties accounted for the majority of our Group's total revenue for the year ended 31 March 2015 whilst corporate finance segment was the larger contributor to our Group's total revenue (accounting for approximately 55.7% of our Group's total revenue) for the year ended 31 March 2016.

Our Group recorded a significant increase in other income during the year ended 31 March 2016 compared to the preceding year, primarily due to the receipt of a special dividend from Saizen REIT following the disposal of its portfolio. Such special dividend represented a substantial return of capital of Saizen REIT. Consequently, the unit price of Saizen REIT experienced a significant decrease following such distribution, resulting in the approximately HK\$4.7 million impairment loss of available-for-sale investments during the year ended 31 March 2016.

In addition to the abovementioned special dividend, our Group's net profit before tax during the Track Record Period was also affected by changes in fair value of investment properties (which was unrealised) and non-recurring [REDACTED]. Once adjusted for all such one-off items, our net profit margin (before tax) recorded an increase from approximately 37.3% for the year ended 31 March 2015 to 47.0% for the year ended 31 March 2016. Such increase is mainly attributable to the abovementioned significant growth in revenue without similar level of increases in property expenses and finance costs during the year ended 31 March 2016 compared to the preceding year. It is noted that administrative and operating expenses (including mainly remuneration to our staff) increased at a similar rate to the revenue growth during the Track Record Period.

Liquidity and financial resources

Our Group's operating activities recorded a net cash inflow of approximately HK\$15.2 million and HK\$19.5 million for the years ended 31 March 2015 and 2016 respectively primarily due to the cash inflow from operating activities in Hong Kong and the rental income derived from our Properties in Japan and Hong Kong. Such increase in net inflow is in line with our increase in revenue for the year ended 31 March 2016.

Investing activities incurred a net outflow of approximately HK\$105.0 million and HK\$8.7 million for the years ended 31 March 2015 and 2016 respectively. The higher net cash outflow from investment activities during the year ended 31 March 2015 was mainly related to the purchase of investment Properties in Fukuoka and Tokyo, Japan.

SUMMARY

Net current liabilities

Our Group's net current liabilities position as at 31 March 2015 and 2016 was primarily due to (i) the classification as current liabilities (in accordance with the HKFRSs) of loans of approximately HK\$22.6 million and HK\$21.6 million with repayment on demand clauses, despite being repayable in more than one year; and (ii) amount due to our ultimate holding company, being KHHL, of approximately HK\$13.4 million, and HK\$31.5 million as at 31 March 2015 and 2016 respectively, of which approximately HK\$4.5 million has been subsequently fully settled in July 2016, with the remaining balance to be capitalised prior to [REDACTED]. As at 31 July 2016, our net current liabilities position mainly comprised (i) approximately HK\$106.5 million of current liabilities, of which approximately HK\$66.9 million were secured bank borrowings (out of such borrowings, approximately HK\$21.2 million, or approximately 31.7%, represented bank loans due after one year which contained repayment on demand clauses) and an amount of HK\$27.0 million due to our ultimate holding company, being KHHL; and (ii) approximately HK\$65.3 million of current assets, of which approximately 93.5% was bank balances and cash.

Based on (i) our ongoing discussions with representatives of the respective banks who carry out regular loan reviews; (ii) the sufficiency of the collaterals pledged in favour of the banks to secure the loans; and (iii) the bank balances and cash maintained by our Group, our Directors consider it improbable that the relevant banks will exercise their right to demand immediate repayment. For illustrative purposes, adjusting for the abovementioned bank loan of approximately HK\$22.6 million, HK\$21.6 million and HK\$21.2 million and the amount due to KHHL of approximately HK\$13.4 million, HK\$31.5 million and HK\$27.0 million as at 31 March 2015 and 2016 and 31 July 2016 respectively, which are to be settled/capitalised prior to [REDACTED], our Group would have recorded a net current asset of approximately HK\$1.6 million, HK\$6.7 million and HK\$7.0 million as at 31 March 2015 and 2016 and 31 July 2016 respectively.

A dividend of HK\$35.0 million has been declared with respect to the year ended 31 March 2016, which will be paid prior to the [REDACTED]. The declaration of the abovementioned dividend will have an adverse effect on the financial position of our Company by reducing the cash available to our Group. For illustrative purpose, had the abovementioned dividend been paid on 31 July 2016, and without taking into account the capitalisation/settlement of loan amount of approximately HK\$27.0 million due to KHHL, our Group would have recorded net current liabilities of approximately HK\$76.2 million as at 31 July 2016. Alternatively, for illustrative purpose, had the abovementioned dividend been paid on 31 July 2016 and taking into account the capitalisation/settlement of loan amount of approximately HK\$27.0 million due to KHHL, our Group would have recorded net current liabilities of approximately HK\$49.2 million as at 31 July 2016.

SUMMARY

Upon [REDACTED], [REDACTED] obtained from the [REDACTED] shall enhance the financial position of our Group and it is our Group’s intention to use part of the [REDACTED] for loan repayment to improve our net current liabilities position. It is our Directors’ view that taking into account (i) the nature of current liabilities incurred by our Group; and (ii) the fact that the financial position of our Group is expected to have significant improvement after the repayment of loans by using such [REDACTED] amounting to HK\$[REDACTED], the impact of the abovementioned dividend is expected to have limited effect on our business operations and liquidity position. Moreover, our Directors consider that we have sufficient financial resources to address our net current liabilities position as (i) our Group had recorded stable cash inflow from our operating activities of approximately HK\$15.2 million and HK\$19.5 million for the years ended 31 March 2015 and 2016 respectively; (ii) estimated total market value of our pledged Properties in Hong Kong amounted to approximately HK\$58.0 million with loan-to-value ratio of approximately 51.3% as at 31 March 2016; (iii) estimated total market value of our pledged Properties in Japan amounted to approximately HK\$275.0 million with a loan-to-value ratio of approximately 24.7% as at 31 March 2016; and (iv) as at 31 July 2016, our Group had undrawn revolving facilities of approximately HK\$12.1 million. Please refer to the paragraph headed “Net current liabilities” under the section headed “Financial information” starting from page 269 of this document for further analysis.

Sensitivity analysis on foreign currency risk

We have carried out a sensitivity analysis on the sensitivity of our Group’s post tax profit to fluctuations in JPY and SGD. As can be seen from the paragraph headed “Sensitivity analysis on foreign currency risk” under the section headed “Financial information” on page 286 of this document, if there had occurred a 20.0% change in the HK\$: JPY exchange rate or a 10.0% change in the HK\$: SGD exchange rate as at 31 March 2016, the resulting impact would have affected our Group’s profit after tax by approximately HK\$1.9 million and HK\$0.7 million respectively.

RECENT DEVELOPMENTS AND OUTLOOK

Subsequent to the Track Record Period, our Group recorded a revenue of approximately HK\$17.1 million for the four months ended 31 July 2016 representing an increase of approximately 4.3% compared to the revenue of approximately HK\$16.4 million for the four months ended 31 July 2015.

The aforementioned financial information for the four months ended 31 July 2016 is based on our unaudited combined financial statements prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the reporting accountants of our Company in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants for such relevant period.

SUMMARY

Prospective investors should note that the financial results of our Group for the year ending 31 March 2017 will be materially and adversely affected by the factors mentioned below. Prospective investors are specifically warned that given the factors below, our Group's net profit for the year ending 31 March 2017 may show a substantial decline as compared to that of the previous financial year whereby a net loss will be expected. Our Directors wish to emphasise that the amount of expenses and impact on revenue mentioned below is a current estimate for reference only and the final amount to be recognised in equity and the statement of profit or loss for the year ending 31 March 2017 is subject to adjustment due to changes in estimates and assumptions.

Corporate finance services

Subsequent to 31 March 2016 and up to the Latest Practicable Date, our Group had secured new engagements for 13 financial advisory engagements and three listing agent appointments, as well as a new sponsorship engagement. One of our sponsorship clients has successfully listed on 19 April 2016, whereas we had mutually terminated one sponsorship engagement with a client on 8 August 2016. Our Directors, taking into account (i) the potential tightening of the regulatory environment for companies seeking a listing on the Stock Exchange (please refer to the paragraph headed "Susceptibility to regulation changes on companies listed on the Stock Exchange" under the section headed "Risk factors" of this document for further details); and (ii) the recent status of our sponsorship engagements and the pipeline on hand, expect downward pressure on revenue related to our sponsorship engagements for the year ending 31 March 2017 as compared to the prior financial year. Such downward pressure will be further pronounced due to the relatively stronger performance in sponsorship related revenue of our Group for the year ended 31 March 2016 due to more active sponsorship engagements and the achievement of relevant significant acts for certain sponsorship transactions in the relevant period (please refer to the paragraph headed "Results of operations of our Group" under the section headed "Financial information" of this document for further details). As mentioned in the paragraph headed "Risks associated with our corporate finance activities" under the section headed "Risk factors" of this document, revenue of our corporate finance activities, in particular sponsorship engagements, is dependent on the timing and success of each project and as such, may vary from period to period. As disclosed in the paragraph headed "Operational information" in this section, based on the outstanding contract value of our sponsorship mandates on hand as at 31 March 2016 and their respective expected timetables, revenue to be derived in relation to such mandates for the year ending 31 March 2017 is expected to be approximately HK\$15.0 million, which is approximately 11.8% lower than the actual sponsorship revenue for the year ended 31 March 2016.

Property investment

In mid-April 2016, Kumamoto Prefecture, in which one of our Properties (Rise Shimodori EXE) is located, was struck by a series of earthquakes. Subsequent to the earthquakes, the insurance company of such Property has committed to cover repair costs of up to JPY2.5 million (equivalent to approximately HK\$0.2 million) resulting from damages caused by the earthquakes, out of which, we had spent approximately JPY418,000 (equivalent to

SUMMARY

approximately HK\$27,000) on repairs resulting from such damages up to the Latest Practicable Date, being the date of the latest update we have received. As a precautionary measure, our Group has also allocated an additional JPY10.0 million (equivalent to approximately HK\$0.7 million) to the capital expenditure reserve of the TK Operator of such Property. Our Directors, based on feedback from the property manager of the Property, do not expect the amount of repair costs will exceed the aforementioned reserve. On 3 August 2016, the Property was certified by the government of the Kumamoto City to belong to the category of properties which had suffered the lowest level of damages among the four levels of damages as categorised by the government. We will continue to liaise with the property manager who will coordinate with tenants regarding any necessary repairs to such Property going forward. Rental income generated from this Property accounted for approximately 6.8% and 4.5% of our Group's total revenue for the years ended 31 March 2015 and 2016 respectively whilst its appraised value accounted for approximately 7.9% of our property investment portfolio as at 31 March 2016. In September 2016, our Group has obtained a 20-year loan of principal amount of JPY120.0 million (equivalent to approximately HK\$9.0 million) secured by a charge over the Property, Residence, held under GK Mameha from a bank in Japan. The loan has a fixed interest rate of 2.26% per annum for the first three years (with floating rate thereafter) and a corporate guarantee is provided by the independent asset manager of the Property and Mameha Holdings (being the ISH which holds GK Mameha). Other than this, our property investment activities had remained steady with no investment or divestment activities from 31 March 2016 to the Latest Practicable Date.

Others

Given our understanding of the intention of our associate, KK Tenyu AM, to diversify its business scope to include investment management in Japan and allocate resources away from asset management, introductory and marketing services provided by us (in the form of referring potential customers to KK Tenyu AM and our marketing activities incidental to such referrals) had ceased from July 2016 onwards since KK Tenyu AM ceased to require such services. In addition, following disposal of the Saizen REIT portfolio (for further details, please refer to the paragraph headed "Japan Residential Assets Manager Limited" under the section headed "History, Reorganisation and corporate structure" of this document), dividend income from our available-for-sale investments is expected to decrease and administrative service income received from JRAM SG (derived from the provision of administrative services, calculated on a cost recovery basis taking into account time costs incurred by our staff and related expenses incurred for rendering such services) is expected to cease either as a result of the disposal of the entire portfolio under Saizen REIT in early 2016 and its subsequent dissolution or completion of the proposal as elaborated under the paragraph headed "Japan Residential Assets Manager Limited" on page 118 of this document. Correspondingly, the share of results from JRAM SG through JRAM Cayman (our associate) is also expected to decrease. The completion of the proposal would also result in the sale of our JRAM SG interest. It is expected that (i) the cessation of introductory and marketing services to KK Tenyu AM; (ii) loss of dividend income from our available-for-sale investments; (iii) cessation of administrative service income from JRAM SG; and (iv) the decrease in share of results of JRAM Cayman and its subsidiary, JRAM SG, will materially and adversely affect the Group's financial results for the year ending 31 March 2017 and going forward. According to its announcement on 15 August 2016, Saizen REIT has entered into a framework agreement with Sime Darby Property

SUMMARY

Singapore Limited ("SDPSL") for the proposed acquisition by Saizen REIT of industrial properties in Australia (the "**Proposal**"). In this connection, JRAM Cayman has agreed to sell 80% of its interest in JRAM SG to SDPSL (the "**JRAM Sale**"). The Proposal and JRAM Sale are inter conditional. Should this proceeds, our Group is expected to recognise a one-off investment gain on the JRAM Sale of approximately HK\$3.2 million. For illustrative purpose, had (i) income derived from the services provided to KK Tenyu AM and JRAM SG; (ii) the gain arising from the investment in Saizen REIT; and (iii) the share of results of KK Tenyu AM and JRAM Cayman (including JRAM SG) been ceased since the commencement of the Track Record Period, our Group would have recorded an adjusted net profit (without taking into account tax effects of the adjustments) of approximately HK\$9.6 million and HK\$7.4 million during the year ended 31 March 2015 and 2016 respectively.

The estimated [REDACTED] of our Group are approximately HK\$[REDACTED] (excluding fees of approximately HK\$[REDACTED] paid and payable to Altus Capital as one of the Joint Sponsors), of which approximately HK\$[REDACTED] is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity. During the years ended 31 March 2015 and 2016, our Group had recognised [REDACTED] of approximately nil and HK\$[REDACTED] respectively, in the combined statement of profit or loss. The remaining [REDACTED] of approximately HK\$[REDACTED] are expected to be charged to the combined statement of profit or loss of our Group for the year ending 31 March 2017.

As a reward for the long term contribution of Mr. Chang and Ms. Leung to the development of our Group and as an incentive scheme to prepare for the [REDACTED], on 4 March 2016, KHHL entered into the Option Deeds with each of Mr. Chang and Ms. Leung respectively as the Grantee. Pursuant to the Option Deeds, in consideration of HK\$[REDACTED] paid by each Grantee, KHHL granted to the Grantees the Call Options on the date of the Option Deeds. The estimated fair value of the Call Options has been charged to our combined statement of profit and loss for the year ended 31 March 2016 in the approximate amount of HK\$[REDACTED], and the remainder will be charged over the next four years ending 31 March 2017, 2018, 2019 and 2020 in the approximate amount of HK\$[REDACTED], HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] respectively. Please refer to the paragraph headed "Grant of Call Options by KHHL to Mr. Chang and Ms. Leung" under the section headed "Directors, senior management and employees" starting from page 219 of this document for more details of the Call Options.

Subsequent to the Track Record Period, our subsidiary, Residence, has paid dividend of approximately JPY4.6 million (equivalent to approximately HK\$333,000) on 20 May 2016 and has declared dividend of approximately JPY6.8 million (equivalent to approximately HK\$515,000) on 26 August 2016, which is expected to be settled prior to [REDACTED]. Out of the JPY6.8 million, approximately JPY1.5 million (equivalent to approximately HK\$110,000) shall be paid to minority interests of Residence. For further details, please refer to note 16 of the Accountants' Report set out in Appendix I to this document.

Notwithstanding the above, our Directors confirm that, as of the date of this document, there has been no material adverse change in the financial or trading position or the prospects of our Group since 31 March 2016.

SUMMARY

FUTURE PLANS AND USE OF [REDACTED]

Our future plans are set out in the section headed "Future plans and use of [REDACTED]" starting from page 293 of this document. The [REDACTED] of the [REDACTED], after deducting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$[REDACTED] (calculated based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point [REDACTED]). We intend to apply the [REDACTED] as follows:

- (i) as to approximately [REDACTED]%, representing approximately HK\$[REDACTED], will be used for repayment of existing debts with an intention to improve our financial position, gearing and liquidity, in the order set out below:
 - the utilised amount of approximately HK\$[REDACTED] as at 31 July 2016. These revolving bank facilities were obtained for general working capital purposes and have no maturity date. The utilised amount is repayable on demand by the bank with interest at 2.5% per annum over HIBOR (annual interest would amount to approximately HK\$[REDACTED] based on utilised amount and HIBOR as at 31 July 2016);
 - the outstanding balance of approximately HK\$[REDACTED] as at 31 July 2016 in relation to the instalment loan maturing on 10 March 2034 with interest at 2.5% per annum below Basic Lending Rate (for illustration purposes, adopting the Basic Lending Rate as at 31 July 2016, interest expenses for the year ending 31 March 2017 related thereto would amount to approximately HK\$[REDACTED]); and, if funding is available;
 - the outstanding balance of approximately HK\$[REDACTED] as at 31 July 2016 in relation to the instalment loan maturing on 26 March 2032 with interest at 3% per annum over HIBOR (for illustration purposes, adopting HIBOR as at 31 July 2016, interest expenses for the year ending 31 March 2017 related thereto would amount to approximately HK\$[REDACTED]).

Please refer to the paragraph headed "Indebtedness" under the section headed "Financial information" start from page 281 of this document for further details;

- (ii) as to approximately [REDACTED]%, representing approximately HK\$[REDACTED], will be used for expanding the range of corporate financial services offered to our clients, in particular to undertake underwriting or placing activities for our sponsorship clients;
- (iii) as to approximately [REDACTED]%, representing approximately HK\$[REDACTED], will be used for enhancement of human resources, such as recruitment and retention of licensed personnel as well as provision of professional training for licensed personnel and/or other professional staff (i.e certified public accountants in our finance and accounts department); and

SUMMARY

- (iv) the remaining amount of approximately not more than [REDACTED]%, representing approximately HK\$[REDACTED], will be used for our working capital and other general corporate purposes.

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. Future declaration of dividends will be subject to our Directors' discretion and will depend on, amongst other things, our earnings, financial conditions, cash requirements and availability, and any other factors our Directors may consider relevant. Currently, our Group does not have any dividend policy and predetermined dividend distribution ratio.

A dividend of HK\$[REDACTED] has been declared by our Company with respect to the year ended 31 March 2016. Such dividend will be paid prior to the [REDACTED]. Although such dividend will lower our Group's cash balance and result in a corresponding reduction in our Group's net asset value, the settlement of the dividend is not expected to affect the ability of Altus Investments and Altus Capital to comply with the financial resources requirements as specified by the FRR. Our Directors consider the dividend to be an investment return to the then Shareholders during the Track Record Period and should not be regarded as an indication of the future dividend policy to be adopted by our Group following the [REDACTED]. In particular, prospective investors should note that the historical dividend trends may not be indicative of future dividend trends.

[REDACTED] STATISTICS

[REDACTED]

SUMMARY

CONTROLLING SHAREHOLDERS

Upon [REDACTED], our Controlling Shareholders will comprise the Ip Family (being our founder, Mr. Ip, his mother Ms. Chan, and his sister Ms. Ip) and KHHL, an entity under their control. To avoid potential competition between our Company and our Controlling Shareholders, our Controlling Shareholders have entered into the Deed of Non-Competition whereby our Controlling Shareholders have undertaken not to carry on a business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group subject to exceptions, such as a first right of refusal. Please refer to the section headed “Relationship with our Controlling Shareholders” starting from page 226 of this document for further details.

RISK FACTORS

In addition to the aforementioned exposure to risks arising from the project-based nature of corporate finance services and fluctuations in foreign exchange, our Group is also exposed to (i) dependence on continuing efforts of our executive and senior management; (ii) liquidity risk due to our net current liabilities position as at 31 March 2015 and 31 March 2016; and (iii) risks associated from changes in applicable laws, rules and regulations governing our corporate finance services as well as our property investment activities. Furthermore, our Properties in Japan may experience difficulties as a result of lease termination and/or rental adjustment pursuant to the Japanese standard lease agreements and the performance of our Group’s property investment business may be adversely affected by a downturn of the Japanese economy and/or property market. The foregoing risks are not the only risks relating to our Group. A detailed discussion of the aforesaid and other risks is set out in the section headed “Risk factors” starting from page 40 of this document.

DEFINITIONS

In this document, the following expressions have the following meanings, unless the context otherwise requires:

A. General definitions

“AJ Investments”	AJ Investments Group Ltd., a company incorporated in the BVI with limited liability on 15 June 2011 which, prior to the Reorganisation, was owned as to approximately 12.05% by Starich and approximately 87.95% by Mr. Chang. As part of the Reorganisation, Starich disposed of all of its interests in AJ Investments to Mr. Chang. For details, please refer to the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and corporate structure” of this document
“Altus Asset Management”	Altus Asset Management Limited (浩德資產管理有限公司) (formerly known as Jingo Holdings Limited), a company incorporated in Hong Kong with limited liability on 18 July 1996 and a former subsidiary of Altus Capital, which has been deregistered pursuant to section 751 of the Companies Ordinance with effect from 28 August 2015
“Altus Capital”	Altus Capital Limited (浩德融資有限公司) (formerly known as Excellent Idea Management Limited (卓意管理有限公司)), a company incorporated in Hong Kong with limited liability on 12 May 2000 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation. Altus Capital is a corporation licensed by the SFC to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being one of the Joint Sponsors for the [REDACTED]
“Altus Investments”	Altus Investments Limited, a company incorporated in Hong Kong with limited liability on 18 August 2004 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation. Altus Investments is a corporation licensed by the SFC to carry out Type 1 (dealing in securities) regulated activities under the SFO

DEFINITIONS

“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, adopted on 26 September 2016 to take effect on the [REDACTED], a summary of which is set out in the paragraph headed “Articles of Association” in Appendix V to this document
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board” or “our Board”	the board of Directors from time to time or a duly authorised committee thereof
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“Call Options”	the options granted by KHHL to the Grantees to purchase the Shares to be held by KHHL upon [REDACTED], details of which are set out in the paragraph headed “Grant of Call Options by KHHL to Mr. Chang and Ms. Leung” under the section headed “Directors, senior management and employees” of this document
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the sum standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 26 September 2016” in the section headed “Further information about our Group” in Appendix VI to this document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“close associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Companies Registry”	the Companies Registry of Hong Kong
“Company” or “our Company”	Altus Holdings Limited (浩德控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 11 November 2015

DEFINITIONS

“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“connected transaction(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	for the purpose of this document, means KHHL and the Ip Family
“core connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules

[REDACTED]

“Deed of Indemnity”	the deed of indemnity dated 26 September 2016 and executed by our Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed “Tax and other indemnities” in the section headed “Other information” in Appendix VI to this document
“Deed of Non-Competition”	the deed of non-competition dated 26 September 2016 and executed by our Controlling Shareholders as covenantors in favour of our Company (for itself and as trustee of the members of our Group), particulars of which are set out in the paragraph headed “Non-competition undertakings” under the section headed “Relationship with our Controlling Shareholders” of this document

DEFINITIONS

"Director(s)"	the director(s) of our Company
"FRR"	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Galaxy Base"	Galaxy Base Limited, a company incorporated in Hong Kong with limited liability on 2 December 2011, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"GEM"	the Growth Enterprise Market of the Stock Exchange
"Grantee(s)"	Mr. Chang and Ms. Leung, the grantees of the Call Options
"Group", "our Group", "we", "our" or "us"	our Company, our subsidiaries and the TK Operators or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, such subsidiaries and the businesses carried on by them or their predecessors (as the case may be)
"HIBOR"	Hong Kong Interbank Offered Rate, the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for a specific period ranging from overnight to one year
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Government"	the Government of Hong Kong
"I Corporation"	I Corporation, a company incorporated in the BVI with limited liability on 25 September 2000, a non wholly-owned subsidiary of our Company which is owned as to 80.00% by Starich and 20.00% by Ms. Ho upon completion of the Reorganisation

DEFINITIONS

“Independent Third Party(ies)”	individual(s) or company(ies) which is (are) independent of and not connected (within the meaning of the GEM Listing Rules) with any of our directors, chief executive or substantial shareholders of our Company or our subsidiaries or any of their respective associates within the meanings of the GEM Listing Rules
“Ip Family”	comprising Ms. Chan, Mr. Ip and Ms. Ip, all Controlling Shareholders of our Company
“Joint Sponsors”	New Spring Capital and Altus Capital
“JRAM Cayman”	Japan Regional Assets Manager Limited, a company incorporated in the Cayman Islands with limited liability on 18 April 2005, an associate of our Company which is owned as to 40.0% by Altus Investments and 60.0% by three other parties
“JRAM HK”	Japan Regional Assets Manager (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 28 October 2005, an associate of our Company which is owned as to 40.00% by Altus Investments, 15.00% by Mr. Lo, 15.00% by Mr. Matsunaga and 30.00% by an Independent Third Party, and was dissolved by deregistration on 1 April 2016
“JRAM SG”	Japan Residential Assets Manager Limited, a company incorporated in Singapore with limited liability on 5 July 2007, an associate of our Company which is wholly-owned by JRAM Cayman
“JREI”	Japan Real Estate Institute, an Independent Third Party research, consulting and appraisal institute focusing on Japan real estate
“JREI Report”	an independent market research report commissioned by our Company on the Japan real estate market prepared by JREI and issued on 27 September 2016
“JSSI”	Japan Special Situation Investment Limited, a company incorporated in the BVI on 28 November 2001 with limited liability, an associate of our Company which is owned as to approximately 27.03% by I Corporation and 72.97% by six other parties

DEFINITIONS

“KHHL” Kinley-Hecico Holdings Limited (formerly known as Kinley Limited and subsequently renamed as Kinley BVI Limited), a company incorporated in the BVI on 2 January 1992 with limited liability and is owned as to 20.00% by Ms. Chan, a Controlling Shareholder, and 80.00% by The Trustee

“Latest Practicable Date” 26 September 2016, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein

[REDACTED]

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM

“Memorandum”, “Memorandum of Association” the amended and restated memorandum of association of our Company, adopted on 26 September 2016 and as amended from time to time, a summary of which is set out in the paragraph headed “Memorandum of Association” in Appendix V to this document

“Mr. Chang” Mr. Chang Sean Pey, an executive Director

“Mr. Ip” Mr. Ip Arnold Tin Chee, an executive Director, a Controlling Shareholder, the son of Ms. Chan, brother of Ms. Ip and spouse of Ms. Ho

DEFINITIONS

"Mr. Lo"	Mr. Richard Lo, a former director of Altus Capital, and currently a director of a subsidiary (namely Residence) of our Company upon completion of the Reorganisation who holds by himself or together with Ms. Lilian Shih, directly or indirectly, 10.00% shareholding interests in each of EXE and Residence, and 15.00% shareholding interests in each of KK Tenyu AM, JRAM Cayman and JRAM HK, and is a connected person of our Company
"Mr. Matsunaga"	Mr. Yutaka Matsunaga, a former responsible officer of Altus Capital who is holding by himself or together with Ms. Chiho Matsunaga, directly or indirectly, approximately 2.17% shareholding interests in Smart Tact and 15.00% shareholding interests in each of KK Tenyu AM and JRAM Cayman
"Mr. Shih"	Mr. Henry Shih, a director of a subsidiary (namely Residence) of our Company upon completion of the Reorganisation who is holding 10% shareholding interests in each of Smart Tact and Residence, a connected person of our Company
"Ms. Chan"	Ms. Chan Kit Lai Cecilia, a shareholder of KHHL, a Controlling Shareholder, the mother of Mr. Ip and Ms. Ip
"Ms. Ho"	Ms. Ho Shuk Yee, Samantha, a member of our senior management, and the spouse of Mr. Ip
"Ms. Ip"	Ms. Lam Ip Tin Wai Chyvette, a Controlling Shareholder, the daughter of Ms. Chan and sister of Mr. Ip
"Ms. Leung"	Ms. Leung Churk Yin Jeanny, an executive Director
"New Spring Capital"	New Spring Capital Limited (新源資本有限公司), a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Sponsors for the [REDACTED], an Independent Third Party
"Option Deeds"	the option deeds entered into between KHHL and each of the Grantees respectively on 4 March 2016 to grant the Call Options to each of the Grantees (as supplemented by the supplemental deeds entered into between KHHL and each of the Grantees on 26 September 2016)

DEFINITIONS

“Option Shares” the Shares to be purchased by the Grantees pursuant to the terms and conditions of the Option Deeds upon exercising of the rights attaching to the Call Options

[REDACTED]

“Pleasant Hilltop” Pleasant Hilltop Limited, a company incorporated in the BVI with limited liability on 8 September 2015 and a direct wholly-owned subsidiary of our Company and an intermediate holding company of our Group upon completion of the Reorganisation

“PRC” or “China” the People’s Republic of China, but for the purposes of this document and unless otherwise indicated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

[REDACTED]

DEFINITIONS

“Profit Gain”	Profit Gain Resources Limited, a company incorporated in the BVI with limited liability on 30 March 2006 which, prior to the Reorganisation, was owned as to approximately 9.00% by Starich, 22.58% by an entity whose ultimate beneficial owners are Mr. Lo and Ms. Lilian Shih, and an aggregate of approximately 68.42% by two Independent Third Parties. As part of the Reorganisation, Starich disposed of all of its interests in Profit Gain to KHHL and Profit Gain ceased to be a subsidiary of Starich. For details, please refer to the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and corporate structure” of this document
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation of the [REDACTED], details of which are set out in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and corporate structure” of this document
“Repurchase Mandate”	the general mandate to repurchase Shares given to our Directors by our sole Shareholder, particulars of which are summarised in the paragraph headed “Written resolutions of our sole Shareholder passed on 26 September 2016” in the section headed “Further information about our Group” in Appendix VI to this document
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 26 September 2016, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix VI to this document
“Shareholder(s)”	holder(s) of our Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the same meaning ascribed to it under the GEM Listing Rules
“substantial shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“The Trustee”	The General Trust Company S.A., a company registered in Panama and the trustee of The Hecico 1985 Trust, of which Ms. Chan is the founder and the beneficiaries are Mr. Ip and Ms. Ip and their respective issue(s) that may be born in the future
“Track Record Period”	the period comprising the years ended 31 March 2015 and 2016

[REDACTED]

“U.S.” or “United States”	the United States of America
“Whalehunter”	Whalehunter Investments Limited, a company incorporated in the BVI with limited liability on 30 September 2015, a direct wholly-owned subsidiary of our Company and an intermediate holding company of our Group upon completion of the Reorganisation
“HK\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“JPY”	Japanese yen, the lawful currency of Japan
“SGD”	Singapore dollars, the lawful currency of Singapore
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the U.S.
“%”	per cent.

DEFINITIONS

B. Definitions in relation to our property investment business

“EXE”	EXE Rise Shimodori Investor Limited, a company incorporated in BVI with limited liability on 27 August 2010, a non wholly-owned subsidiary of our Company upon completion of the Reorganisation which is indirectly owned as to 90.00% by our Company and 10.00% by Mr. Lo. Our TK Investor in our TK Arrangement with GK Hayama Shouten as the TK Operator
“GK Bohol”	Godo Kaisha Bohol, a company incorporated in Japan with limited liability on 16 March 2007. The TK Operator of a TK Arrangement with Smart Tact as our TK Investor. Upon completion of the Reorganisation, our Company is indirectly beneficially interested in approximately 87.83% of the economic benefits of its property interests
“GK Choun”	Godo Kaisha Choun, a company incorporated in Japan with limited liability on 17 May 2007. The TK Operator of a TK Arrangement with Starich as our TK Investor. Upon completion of the Reorganisation, our Company is indirectly beneficially interested in all of the economic benefits of its property interests
“GK Hayama Shouten”	Godo Kaisha Hayama Shouten, a company incorporated in Japan with limited liability on 6 August 2010. The TK Operator of a TK Arrangement with EXE as our TK Investor. Upon completion of the Reorganisation, our Company is indirectly beneficially interested in 90.00% of the economic benefits of its property interests
“GK Mameha”	Godo Kaisha Mameha, a company incorporated in Japan with limited liability on 1 April 2013. The TK Operator of a TK Arrangement with Residence as our TK Investor. Upon completion of the Reorganisation, our Company is indirectly beneficially interested in 78.70% of the economic benefits of its property interests
“ISH”	ippan shadan hojin, a form of “orphan entity” established in Japan (a legal entity without any shareholder) solely to act as the holding companies of the TK Operators as part of our TK Arrangement

DEFINITIONS

“KK Tenyu AM”	KK Tenyu Asset Management, a company incorporated in Japan on 27 June 2007, an associate of our Company upon completion of the Reorganisation which is owned as to approximately 40.00% by Altus Investments and approximately 60.00% by three other parties
“Property(ies)” or “our Property(ies)”	the 15 properties held by our Group as investment in Hong Kong and Japan as set out in the section headed “Business” of this document, “Property” refers to any one of them
“Residence”	Residence Motoki Investment Limited, a company incorporated in the BVI with limited liability on 28 March 2013, a non wholly-owned subsidiary of our Company upon completion of the Reorganisation which is directly or indirectly owned as to (i) 78.70% by Starich; (ii) 10.00% by Mr. Shih; (iii) 10.00% by Mr. Lo and Ms. Lilian Shih; (iv) approximately 0.33% by Ms. Leung; (v) approximately 0.17% by Mr. Chang; and (vi) an aggregate of approximately 0.80% by three Independent Third Parties, and our TK Investor in our TK Arrangement with GK Mameha as the TK Operator
“Smart Tact”	Smart Tact Property Investment Limited, a company incorporated in BVI with limited liability on 17 April 2013, a non wholly-owned subsidiary of our Company upon completion of the Reorganisation which is directly or indirectly owned as to approximately 87.83% by Starich, 10.00% by Mr. Shih and approximately 2.17% by Mr. Matsunaga and Ms. Chiho Matsunaga, and our TK Investor in our TK Arrangement with GK Bohol as the TK Operator
“Starich”	Starich Resources Limited, a company incorporated in BVI with limited liability on 28 February 2000, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation, and our TK Investor in our TK Arrangement with GK Choun, YK Houten and YK Hourei as the TK Operators
“TK Agreement”	an agreement entered into between a TK Operator and a TK Investor pursuant to a TK Arrangement

DEFINITIONS

“TK Arrangement”	a Japanese tokumei kumiai arrangement entered into between a TK Investor and a TK Operator, whereby our TK Investor will provide funds to the TK Operator in return for income derived from the management and operational activities of the TK Operator. For details, please refer to the section headed “Our TK Arrangements” of this document
“TK Business”	the business of holding properties for returns pursuant to a TK Agreement
“TK Interest”	all rights and obligations under a TK Agreement entered into between a TK Operator and a TK Investor
“TK Investor(s)”	a subsidiary of our Company upon completion of the Reorganisation which has entered into a TK Agreement with a TK Operator pursuant to a TK Arrangement, namely EXE, Smart Tact, Residence and Starich
“TK Operator(s)”	a Japanese limited liability company which holds or owns real estate and which enters into a TK Agreement with a TK Investor, namely GK Bohol, GK Choun, GK Hayama Shouten, GK Mameha, YK Hourei and YK Houten
“YK Hourei”	Yugen Kaisha Hourei, a company incorporated in Japan with limited liability on 8 September 2005, and the TK Operator of a TK Arrangement with Starich as our TK Investor. Upon completion of the Reorganisation, our Company is indirectly beneficially interested in all of the economic benefits of its property interests
“YK Houten”	Yugen Kaisha Houten, a company incorporated in Japan with limited liability on 4 September 2003, and the TK Operator of a TK Arrangement with Starich as our TK Investor. Upon completion of the Reorganisation, our Company is indirectly beneficially interested in all of the economic benefits of its property interests

DEFINITIONS

C. Definitions in relation to Hong Kong laws, rules and regulations

"Code of Conduct"	The Code of Conduct for Persons Licensed by or Registered with the SFC issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Companies Law" or "Cayman Companies Law"	the Companies Laws, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, as amended, supplemented or otherwise modified from time to time
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Licensed Representative"	an individual who is granted a licence under section 120(1) or 121(1) of the SFO to carry on one or more than one regulated activities for Altus Capital and/or Altus Investments
"Licensing Court"	the court responsible for determination of applications for granting or renewing of Money Lenders Licences
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

"Money Lenders Licence"	the money lenders licence issued by the Licensing Court to Altus Capital pursuant to the Money Lenders Ordinance and Money Lenders Regulations for carrying on business as a money lender in Hong Kong
"Money Lenders Ordinance" or "MLO"	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Money Lenders Regulations"	the Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"PDPO"	the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
"Principal(s)"	a Responsible Officer or an executive officer appointed by Altus Capital to be in charge of the supervision of the transaction team for a sponsorship engagement
"Registrar of Money Lenders"	the person appointed under the Money Lenders Ordinance for the purposes of establishing and maintaining the register of money lenders, who currently is the Registrar of Companies in Hong Kong
"Responsible Officer(s)"	a Licensed Representative who is also approved as a responsible officer under section 126 of the SFO to supervise one or more regulated activities of Altus Capital and/or Altus Investments
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended, supplemented or otherwise modified from time to time

DEFINITIONS

D. Definitions in relation to Japan laws, rules and regulations

“Land and Building Lease Law”	the Land and Building Lease Law (Act No. 90 of October 4, 1991) of Japan, as amended, supplemented or otherwise modified from time to time
“Real Estate Specified Joint Venture Law”	the Real Estate Specified Joint Venture Law (Act No. 77 of 1994) of Japan, as amended, supplemented or otherwise modified from time to time

Certain amounts and percentage figures included in this document 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.

Unless the context requires otherwise, translation of US\$ into HK\$ and JPY into HK\$ and vice versa are made in this document, for illustration purposes only, at the rate of US\$1.00 to HK\$7.80 and JPY1.00 to HK\$0.0646 respectively. Such conversions shall not be construed as representations that any amount in US\$, HK\$ and JPY were or may have been or may be converted into those currencies or vice versa at the above rates or at any other rates.

GLOSSARY OF TECHNICAL TERMS

The following sets out a glossary list which contains certain terms and definitions used in this document in connection to our Group’s business and operations. The terms and their meanings may not correspond to the standard industry meanings, calculation or usage of those terms.

“CA” or “compliance adviser”	a licensed corporation or registered institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity, and permitted under its licence or certificate of registration to undertake work as a sponsor appointed to act as a compliance adviser under the Listing Rules or the GEM Listing Rules
“CAGR”	compound annual growth rate
“ETF”	exchange traded funds
“FA” or “financial adviser”	an entity which provides financial advisory services under the ambit of Type 6 (advising on corporate finance) regulated activity under the SFO for the purpose of this document
“FA transaction(s)”	engagements under which Altus Capital acts as FA
“GK”	Godo Kaisha, a Japanese limited liability company structured similarly to that of a limited liability partnership
“gross floor area”	in relation to an entire property, the sum of the areas specified in the building ownership certificate for the property
“IFA” or “independent financial adviser”	an independent financial adviser as defined under the Listing Rules, the GEM Listing Rules, or the Takeovers Code
“IFA transaction(s)”	engagements under which Altus Capital acts as IFA
“IT”	information technology
“loan-to-value ratio”	the ratio of loan amount to the market value of a property

GLOSSARY OF TECHNICAL TERMS

“M&A transaction(s)”	mergers and acquisition transaction(s) involving changes in shareholding structure and/or changes in control of companies, where appointment of a FA is required under the Listing Rules, the GEM Listing Rules or the Takeovers Code for the purpose of this document
“net lettable area”	area in a building that is to be leased, excluding common areas such as common corridors and lift shafts, and is usually the area in respect of which rent is payable
“property income”	consists of rental income and other operating income derived in relation to a property less property operating expenses
“REIT”	real estate investment trust
“rental income”	comprises base rental income, common area management fees, car parking rental income and utilities charges for electricity, water or gas, where applicable
“sponsor”	a corporation or authorised financial institution licensed or registered under the SFO for Type 6 (advising on corporate finance) regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor and, as applicable, which is appointed as a sponsor pursuant to Rule 3A.02 of the Listing Rules or Rule 6A.02 of the GEM Listing Rules
“SPV”	an unlisted entity whether incorporated or otherwise constituted in Hong Kong or elsewhere, whose primary purpose is to hold or own, or invest through TK Arrangements in, properties located in Hong Kong or Japan or to hold or own the shares in such unlisted entity
“sq. ft.”	square feet
“YK”	Yugen Kaisha, a Japanese limited liability company established under Japanese law before May 2006 and legally referred to as “Tokurei Yugon Kaisha” or a “special limited company” under new Japanese company legislation enacted since May 2006

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DOCUMENT MAY NOT MATERIALISE

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would”, “could” or similar expressions or the negative of these words or other similar expressions or statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in the industry and markets in which we operate;
- expansion, consolidation or other trends in the industry in which we operate;
- policies, regulations and restrictions in Hong Kong, Japan or any other countries or territories that may affect the industries in which we operate;
- general political and economic conditions in Hong Kong, Japan and overseas;
- exchange rate fluctuations and the developing legal system, in each case pertaining to Hong Kong, Japan and the industry and markets in which we operate;
- macroeconomic measures taken by Hong Kong and/or the Japan governments to manage economic growth;
- our business prospects;
- competition for our business activities and the actions and development of our competitors;
- financial conditions and performance of our Group;
- our dividend policy;

FORWARD-LOOKING STATEMENTS

- changes to our expansion plans and use of capital expenditures;
- our ability to successfully implement of our business plans and strategies; and
- other factors beyond our Group's control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Controlling Shareholders, the Joint Sponsors, the [REDACTED], the [REDACTED], any other party involved in the [REDACTED] or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed "Risk factors" of this document and elsewhere in this document.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, prospective investors should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified with reference to cautionary statements set out in this section.

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

RISK FACTORS

Prospective investors should carefully consider all of the information in this document including the risks and uncertainties described below before making an investment in the [REDACTED]. Prospective investors should pay particular attention to the fact that the legal and regulatory environment in Hong Kong and Japan may differ in some respects from that prevailing in other countries. The business, financial condition or results of operation of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

A. RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

I. Risks associated with our corporate finance activities

Our business may be subject to fluctuations in financial performance due to (i) corporate finance transactions being project-based in nature; and (ii) progress-based payment arrangement

Revenue of our corporate finance activities is to a large extent derived from transactions for which we are engaged on a project basis with relevant terms and conditions (including service fees and payment schedules) being negotiated and determined on a project-by-project basis subject to, amongst other things, the complexity of the transaction, the estimated time commitment and the overall capacity of our advisory team. The nature of the corporate finance activities also means the demand and scope for our services are dependent on the conditions of the financial markets, which is in turn influenced by a variety of factors (such as investor sentiment) beyond our control. There is no assurance that our Group can continue to secure our engagements in the future, leading to potential fluctuations in the financial performance of our corporate finance services business.

In general, corporate finance service income is recognised when the underlying services have been provided and/or relevant significant acts have been completed in accordance with the terms of the service agreement. Due to the nature of our projects and factors beyond our control, in particular our sponsorship engagements, it may not be possible to successfully complete each project, and consequently we may be unable to bill and receive the full contract value. Out of our completed sponsorship engagements since 1 April 2010 and up to the Latest Practicable Date, being engagements for which the clients had successfully listed or which had otherwise been terminated, approximately 64.3% culminated in a successful listing for our clients. Consequently, our financial performance is dependent on the timing and success of each project and as such, may vary from period to period. Accordingly, our financial results may fluctuate from quarter to quarter.

Our business depends on the continuing efforts of our executive and senior management

Our success is, to a large extent, attributable to the strategies and visions of our executive management, being Mr. Ip, Mr. Chang and Ms. Leung, our three executive Directors, who are principally responsible for managing our Group with the support of our senior management

RISK FACTORS

team. Moreover, many of our corporate finance clients originate from the personal network and relationships maintained by our executive management. Given that the competition for competent personnel in the industry is intense, we may not be able to attract or retain the services of the necessary key personnel for our business in the future. Should our key executive management personnel cease to be involved in our management in the future and we fail to find suitable replacements, our operations, growth prospects and profitability could be materially and adversely affected. In addition, we may need to incur additional costs to recruit, train and retain these key personnel.

Under the licensing requirements of the SFO, our licensed corporations (namely Altus Capital and Altus Investments) are required to maintain at least two Responsible Officers for each type of regulated activities. As at the Latest Practicable Date, our Group had four Responsible Officers for Type 1 (dealing in securities) and three Responsible Officers for each of Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. In addition, to act as a sponsor and compliance adviser, our Group must ensure that there are sufficient Principals engaged in a full time capacity to oversee and supervise our transaction teams with at least two Principals engaged in a transaction team at all times. Without an adequate number of Principals, we cannot accept new engagements and may not be permitted to carry on our current roles as sponsor and compliance adviser.

In the event such number of our Responsible Officers resign, become disqualified or otherwise ineligible to continue their role as Responsible Officer, and at the same time the void created as a result thereof is without immediate and adequate replacement, this may result in a situation where one or more of the four regulated activities of our Group have fewer than two Responsible Officers. In this case, our Group will be in breach of the relevant licensing requirements which could adversely affect our licensed corporations' status, thus jeopardising our Group's business and financial performance.

We are exposed to risks associated with retention and recruitment of licensed personnel

Our Group relies heavily on human resources for the provision of corporate finance services. During the years ended 31 March 2015 and 2016 remuneration costs amounted to approximately HK\$10.3 million and HK\$16.6 million respectively, accounting for approximately 53.5% and 59.8% of our total administrative and operating expenses respectively. As set out in the sections headed "Business" and "Future plans and use of [REDACTED]" of this document, it is our intention to expand our corporate finance advisory team to cater for our intended expansion in business operations. Should the pace of business growth lag behind the pace of increase in headcount, there may be negative impact on the financial results of our Group. In addition, benefits to be generated from the enhancement of human resources may not be as significant as expected due to factors beyond our control, such as the general market conditions, and the economic and political environment in Hong Kong and overseas. Such factors may cause a delay in realising the benefits of our expansion plan and hence, our financial results, in particular our profitability, may be adversely affected. There is also no assurance that we can employ sufficient number of suitable and competent staff to implement our future plans.

RISK FACTORS

We are subject to credit risk

The normal payment terms of the mandates relating to corporate finance services involve progress payments based on milestones achieved. The debit notes issued are due for payment upon presentation. An impairment loss was recognised in respect of trade receivables during the year ended 31 March 2015 of approximately HK\$127,000 representing approximately 0.8% of the revenue generated by corporate finance services activities for the year ended 31 March 2015 (details of which are further elaborated in the section headed "Financial information" of this document). There is no assurance that clients will be able to settle fee notes in full and in a timely manner. Accordingly, the profitability and cash flow of our Group may be affected.

There is no assurance that the specified milestones set out in the mandates will be achieved for all transactions. In the event where a project falls through for factors beyond our control after a substantial amount of time and effort has been expended by our Group, we may experience difficulties seeking compensation or full payment pursuant to the relevant mandate, thereby adversely affecting our Group's financial performance.

Our corporate finance services may attract professional liability

Our corporate finance services normally involve providing professional advice to our clients. A client who relies on our professional advice may suffer loss if we are negligent in providing such advice and the client may have legal cause to claim compensation against us. In this regard, our Group is exposed to possible claims or lawsuits arising from professional negligence and employee infidelity. There is no assurance that the measures can completely eliminate professional negligence and/or employee infidelity. Should we experience any incident, such as claims or lawsuits, it may have an adverse impact on our financial position and reputation.

We are subject to extensive regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect our business operations and financial results

The Hong Kong financial market in which we operate is highly regulated. There are changes in rules and regulations from time to time in relation to the regulatory regime for the financial service industry, including, but not limited to, the SFO, the Predecessor Companies Ordinance, the Companies Ordinance, the FRR, the Listing Rules, the GEM Listing Rules and the Takeovers Code. Any such changes in the relevant rules and regulations may result in an increase in our cost of compliance, or might restrict our business activities. If we fail to comply with the applicable rules and regulations from time to time, we may face fines or restrictions on our business activities or even suspension or revocation of some or all of our licences for carrying on our business activities.

Furthermore, we are required to be licensed with the relevant regulatory authorities including without limitation, as licensed corporations under the SFO. In this respect, we have to ensure continuous compliance with all applicable laws, regulations and guidelines, and satisfy the SFC, the Stock Exchange and/or other regulatory authorities that we remain fit and proper to be licensed. If there is any change or tightening of the relevant laws, regulations and guidelines, it may materially and adversely affect our business operations.

RISK FACTORS

We may be subject to regulatory inspection and investigations from time to time. Please refer to the paragraph headed "Regulatory risk management" under the section headed "Business" of this document for details relating to the on-site reviews conducted by SFC. With respect to SFC investigations, we may be subject to secrecy obligations under the SFO whereby we are not permitted to disclose certain information relating to the SFC investigations. Unless we are specifically named as the party that is being investigated under the SFO investigation, we generally do not know whether we, any member of our Group, or any of our respective directors, our Responsible Officers, our Licensed Representatives or our staff is the subject of SFC investigations. If the results of the inspections or investigations reveal misconduct, the SFC may take disciplinary actions such as revocation or suspension of licenses, public or private reprimand or imposition of pecuniary penalties against our Group, our Responsible Officers or Licensed Representative and/or any of our staff. Any disciplinary actions taken against or penalties imposed on our Group, our Directors, Responsible Officers, Licensed Representatives or relevant staff could have an adverse impact on our business operations and financial results.

Misconduct of our personnel could harm our reputation and business and is difficult to detect and deter

Misconduct of our personnel could result in violation of laws by us, regulatory sanctions against us and material reputational or financial harm to our disadvantage. Such misconduct includes conducting unauthorised or unsuccessful activities resulting in unknown and unmanaged risks or losses, improperly using or disclosing confidential information, recommending transactions that are not suitable for us, engaging in fraudulent acts or otherwise not complying with laws or our control procedures. We cannot assure that there will not be any misconduct of our personnel, and the precautions we take to prevent and to detect such activity may not be effective in all cases. We could also suffer from adverse publicity, reputational damage or litigation losses that may arise from the misconduct by our personnel, which may have a material adverse effect on our business, financial condition and results of operations.

We may suffer from reputational concerns which could have a material adverse impact on our business and financial condition

We and our services are vulnerable to adverse market perception as we operate in an industry where integrity, client trust and confidence are critical. Litigation and disputes, misconduct of our personnel, changes in senior personnel, client complaints, outcome of regulatory investigations or penalties imposed on us may harm our reputation. Any harm to our reputation may cause our existing and potential clients to be reluctant to procure services from us in the future and therefore may have a material adverse impact on our business, operations and financial results.

RISK FACTORS

Our financial results may fluctuate from period to period subject to the timing of discretionary bonuses

Our corporate finance activities are by nature, human resources intensive. Accordingly, remuneration to our staff and licensed personnel has a significant impact on our profitability. In particular, as part of our remuneration package, some of our staff and licensed personnel are rewarded with discretionary bonuses. Such amount is subject to the individual's performance, our Group's financial condition as well as market prevailing rates for retention purposes. As bonuses are granted on a discretionary basis, they will be recognised as expenses in our Group's financial statements when our Group establishes an obligation to pay, being when the bonus is announced. In general, such announcements are issued in the first half of our financial year. Accordingly, our financial results for the first half of our financial year may fluctuate significantly compared to other periods.

Commission derived from placing and underwriting services may be uncertain

During the Track Record Period and up to the Latest Practicable Date, our Group provided underwriting services to one sponsorship client. The amount of placing or underwriting commission to be recognised by our Group is directly related to the number of placing and/or underwriting exercises we are involved in and/or the amount of funds the clients intend to raise. This would be subject to external factors which are beyond our control, such as whether the market for fund raising exercises is active under the prevailing financial market environment. There is no assurance that our Group can obtain new underwriting engagements or that the performance of our Group's placing and underwriting services will not be affected by such external factors.

II. Risks associated with our investment activities

Risks relating to investing in real estate

Income earned from, and the value of, our Properties may be adversely affected by a number of factors

Income earned from, and the value of, our Properties may be adversely affected by a number of factors, including:

- a deterioration in the quality of our Properties or their locations may affect demand for our Properties, leading to reduced occupancy and rental rates;
- the timeliness of tenant's payment of rent;

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- tenants seeking the protection of bankruptcy laws which could result in delays in receiving rent payments, inability to collect rent at all, delays in the termination of the tenant's lease, or hindrance or delay in the sale of a Property or the re-letting of the Property in question;
- the amount of rent payable by tenants and the terms on which lease renewals and new leases are agreed are less favourable than those of the current leases;
- a general downturn of the economy affecting occupancy and rental rates;
- the national and international property market conditions (such as oversupply of, or reduced demand for, residential and commercial space, the release of land for residential development, changes in market rental rates and changes in operating expenses for our Properties);
- closure or relocation of amenities and transportation infrastructure near our Properties, which may adversely affect the demand, market value and rental rates of our Properties;
- competition for tenants from other similar properties within the vicinity that may be developed in the future, which may affect rental levels or occupancy levels at our Properties.

We may suffer material losses that are not fully covered by insurance proceeds

Our Properties could suffer physical damage caused by fire, earthquakes or other causes resulting in losses (including loss of rent) which may not be fully compensated by insurance proceeds. In addition, certain types of risks (such as war risk, risks of acts of terrorism and risks of nuclear contamination) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. In particular, earthquake insurance in Japan in many cases does not cover the whole amount of damage incurred.

Should an uninsured loss or a loss in excess of insured limits occur, our Group could be required to pay compensation and/or lose the capital invested in the affected Property as well as anticipated future income from the Property. Nonetheless, our Group would remain liable for any debt or other financial obligation, such as committed capital expenditure, relating to that Property. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially adversely affect our financial condition.

In respect of insurance, our Group will have to renew our insurance policies from time to time and negotiate acceptable terms for coverage, exposing them to the volatility of the insurance markets, including the possibility of rate increases. Our Group will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect our financial condition.

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Unforeseen ad-hoc maintenance and repairs in respect of physical damage to our Properties may disrupt the operations of our Properties and collection of rental income or otherwise result in an adverse impact on the financial condition of our Group

The quality and design of our Properties have a direct influence over the demand for, and the rental rates of, our Properties, as well as their ability to continue attracting high rental rates. Our Properties may need to undergo unforeseen ad-hoc maintenance or repairs in respect of faults or problems that may develop due to structural defects or other parts of buildings or because of new planning laws or regulations. The risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. The operations of our Properties may suffer some disruption and it may not be possible to collect the full rate of, or, as the case may be, any rental income on any residential space affected by such renovation works.

In addition, physical damage to our Properties resulting from fire, earthquakes or other causes may lead to a significant disruption to the operations of our Properties and, together with the foregoing, may result in an adverse impact on the financial condition and results of operations of our Group.

Our financial performance is susceptible to fluctuations in the value of the JPY

During the Track Record Period, the value of JPY against HK\$ at the end of each month had ranged from 0.0624 to 0.0765. As a substantial portion of our investment portfolio in Japan is exposed to foreign currency risk, especially to the value of JPY against Hong Kong dollars, any significant unfavourable fluctuation in the exchange rates between the JPY and the HK\$ may have adverse impact on our financial results due to the translation of JPY to HK\$ and may adversely affect the value of our investment value and our property income. In the future, we expect that foreign exchange rate fluctuations will continue to have an effect on our results of operations, asset value and investment income. Please refer to the paragraph headed “Foreign currency risk” under the section headed “Financial information” of this document for further information and sensitivity analysis.

Our Properties in Japan may be affected by the introduction of new laws and changes in the laws and regulations in Japan

Properties in Japan that have been in compliance with applicable laws and regulations at the time of their completion might no longer comply with such laws and regulations should these laws and regulations be amended. Such Properties are often protected under Japanese grandfathering rules, subject to our Properties fulfilling certain conditions imposed under such grandfathering rules, for example, the maintenance of the existing building-to-land ratio, floor space, building height and installations of the building. Such restrictions would affect our Properties’ ability to undergo renovation or redevelopment. Also, should our Properties in Japan fail to comply with the conditions imposed by the grandfathering rules, additional costs might need to be incurred in order to renovate or reconstruct the building in compliance with the amended laws and regulations.

RISK FACTORS

Our Group faces risks arising from the use of Japanese standard lease agreements

In line with the general practice in the Japan residential property market, the majority of the leases for our Properties are standard two-years leases which the tenants may terminate upon giving one to two months' notice. As a result, our Properties may experience continuous lease expiry and lease terminations each year. This exposes our Group to certain risks, including the risk that vacancies following the non-renewal of leases may lead to reduced occupancy rates, which will in turn have an adverse impact on the financial results of our Group.

In addition, the leases are statutorily extended automatically on the same terms and conditions upon expiry, and landlords are required to obtain the tenants' consent before terminating the leases. Under the Land and Building Lease Law, the landlords may only unilaterally terminate the leases if such termination can be justified. The existence of "justifiable grounds" is determined by considering a combination of factors relating to the specific characteristics of each lease and its history, on a case-by-case basis. As a result, in the event that the tenant does not agree to an increase in rent or other revisions in the terms and conditions of the lease, the landlord is unable to terminate the lease unilaterally and the lease will have to continue based on the existing terms and conditions unless the landlord has justifiable grounds for terminating the lease. In the event that the amount of rent becomes unreasonable in view of the surrounding circumstances, the landlords or the tenants may request the Japanese courts to adjust the rent. This adjustment of rent does not provide a right to terminate the lease. Such an arrangement restricts the ability of the landlord to amend the terms of the lease or terminate the lease in the event an agreement is not reached. The additional costs may affect the financial position of our Group.

Due to difficulties faced when obtaining boundary confirmations for Japanese properties, boundary confirmations have not all been obtained from neighbours in relation to certain Properties

As advised by our legal advisers as to Japan law, whilst boundary confirmations are not mandatory under Japanese law for the purpose of title ownership (in particular such confirmations are not signed or processed by any regulatory body), they provide an additional safeguard for the property owner from potential future disputes regarding the boundary of the property, particularly when (i) there are unclear or non-existent physical boundary markings on the ground; or (ii) some structure, such as scaffolding or trees/plants of the subject property protrudes into the space of the neighbouring land, or vice versa. Since owners of neighbouring land have no obligation to provide such confirmation, a certain number of our Properties have been, and future properties may be, acquired by our Group without obtaining boundary confirmations from title holders of adjoining land, or without physically inspecting boundaries. As advised by our legal advisers as to Japan law, the documents of title (please refer to paragraph headed "Documents of title" under the section headed "Regulatory overview" of this document for further details) are sufficient to prove the ownership over a property. In this regard, all necessary title of our Properties in Japan have been obtained. Our legal advisers as to Japan law have confirmed that there is no title defect for our Properties in Japan.

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Notwithstanding the above, potential boundary disputes may cause difficulties in future dispositions of the land or unexpected costs or losses including, but not limited to, the loss of part of the area of the land or liability for damages arising in relation to such Properties or future acquisitions. If there is an encroachment on land, such encroachment may restrict the use of the land or lead to claims from neighbours and may adversely affect rental income and cause additional expense in the removal of the encroachment. These risks may have an adverse effect on our financial position.

Risks relating to our TK Arrangements

Our TK Arrangements may not provide control as effective as direct ownership in certain circumstances

Under certain circumstances, as advised by our legal advisers as to Japan law, the holding of our Properties in Japan through our TK Arrangements may not provide control of our Properties as effective as direct ownership, such as (i) the fact that our Company would not be able to reappoint a new director under our TK Arrangements and if the relevant director declines to resign, our TK Investor can only gain control through terminating our TK Arrangement and exercising its option to have the shares in the TK Operator transferred to it and (ii) mutual consent is required to change the terms of our TK Agreements such as the frequency of distribution by the TK Operators. Since our TK Agreement is an agreement signed by both our TK Investor and the TK Operator, any amendments to the terms contained therein would require mutual consent on a case-by-case basis, taking into account actual commercial circumstances such as the capital requirements and cash flow of the TK Operators.

For further details on the differences between an investor holding interest in properties in Japan through our TK Arrangements and through a wholly-owned subsidiary, please refer to the paragraph headed “Our Group’s control over our property interests” in the section headed “Our TK Arrangements” of this document.

If the TK Operator, ISH or their respective directors fail to carry out their legal and contractual obligations, we may have to incur costs and resources to enforce our rights

If a TK Operator, an ISH of the TK Operator (being the shareholder of the TK Operator), or their respective directors fail to perform their obligations under the TK Arrangements, we may have to incur costs and resources to enforce our rights under the TK Agreements if we are to rely on legal remedies under Japan law such as claiming damages and/or terminating our TK Agreements. For example, if the ISH was to refuse to transfer their shares in a TK Operator to us or our designee when we had exercised such option following the termination of a TK Agreement, or if the ISH or the TK Operator was otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their legal and contractual obligations.

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Substantial resources and time may be required if we are to terminate our TK Agreements in order to protect and secure our interests in the underlying properties of our TK Arrangements

Our TK Arrangements may not provide control as effective as direct ownership in cases where the TK Operators and their respective directors do not act in favour of our TK Investor and/or are in violation of their obligations to us under our TK Arrangements, such as:

- the director of the TK Operator fails to deliver satisfactory performance and such director refuses to resign upon request of our TK Investor; or
- the director of the TK Operator unreasonably declines to carry out his/her duties or requests from our TK Investor such as failure to adhere to or refusal to change frequency of TK distributions according to commercial needs as set out in our TK Agreements.

Should any of the above circumstances arise and cannot be resolved, we would need to terminate our relevant TK Agreement. Whereas under a direct ownership arrangement, the aforementioned circumstances can be resolved by way of shareholders' meeting to replace the director of the relevant property holding company. To this end, under our TK Arrangements, we would need to carry out the following procedures, to protect and secure our interests:

- (i) terminate/cancel our existing TK Agreement with the subject TK Operator. Such termination will require at least three months' notice period, or at a shorter notice period or with immediate effect by compensating to the TK Operator an equivalent amount of remuneration with reference to its annual remuneration stipulated under our TK Agreement in lieu of such notice period;
- (ii) upon termination of our TK Agreement, exercise our TK Investor's option in transfer shares in the TK Operator from its ISH (being the shareholder of the TK Operator) to us or a designated party (such as a new ISH) in order to take control of the TK Operator. To this end, we may incur professional fees (i.e. legal and accounting) to process such transfer of interests alongside establishment costs of the new TK structure; and
- (iii) in a situation where any existing ISH refuses to transfer the shares of the TK Operator, we would need to take legal action, for example file a petition with the court to protect and secure our interests in the underlying Properties, which would be time consuming.

When compared to direct ownership, the above procedures require additional time and resources for our Group to protect and secure our interests in the underlying properties which may adversely affect our operations and our financial position.

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Furthermore, according to certain loan financing arrangements entered into between the TK Operators and the respective Japanese banks, the TK Operator is required to seek consent from the relevant bank before any change to the shareholding structure of the TK Operator (as would occur upon the termination of a TK Agreement). If the relevant bank withholds consent regarding such change in shareholding structure and we still proceed to terminate the TK Agreement, we may be required to renegotiate the loan financing agreements, such as increasing the relevant collateral, or immediately repay the loan provided to such TK Operator. This could materially and adversely affect our liquidity and financial results.

Additionally, since there may be certain Japanese banks which prefer to lend on a non-recourse loan financing basis, if our TK Arrangements are terminated, our Group may be precluded from obtaining financing from such banks.

Our Group is exposed to tax related risks arising from our TK Arrangements

As disclosed in the section headed "Our TK Arrangements" of this document, our Group had adopted our TK Arrangements for our property investment activities in Japan. Under such a structure, our Group is only subject to withholding tax in Japan on TK distribution at the rate of 20.42%. However, if our Group as a TK Investor, is deemed to have a permanent establishment in Japan or deemed to be participating in the day-to-day management of our TK Business or if there is a change of regulation in Japan disallowing such TK Arrangements, our Group would be subject to Japanese national and local taxes on the income delivered from the TK Arrangements at a combined effective tax rate of approximately 34% in the same manner as a Japanese domestic corporation. Such tax related risks may thereby adversely affect the financial condition and results of operations of our Group. For illustrative purpose, if our Group had been subjected to Japanese national and local tax rate of approximately 34%, our Group would have incurred additional tax payment of approximately HK\$1.9 million and HK\$1.6 million for the year ended 31 March 2015 and 2016 respectively. Since the commencement of our property investment activities and up to the Latest Practicable Date, our Group had not formed any permanent establishment in Japan and hence is subject to a withholding tax of 20.42% on TK distribution. Please refer to the section headed "Our TK Arrangements" of this document for further details.

Our TK Arrangements may be affected by future uncertainty in the interpretation of the Real Estate Specified Joint Venture Law

Under the Real Estate Specified Joint Venture Law, a TK operator is required to obtain regulatory approval in order to enter into TK agreements, receive capital contributions from a TK investor, acquire real estate and allocate profits to the TK investors under the TK agreements in Japan. Such regulatory approval is not required when a TK agreement is entered into with a foreign investor outside of Japan. Should the Japanese regulatory authorities change the current interpretation of the aforementioned ordinance and deem the Real Estate Specified Joint Venture Law as requiring TK operators entering into TK agreements with a foreign investor outside of Japan to obtain regulatory approval, our Group faces the risk that the TK Operators may be in breach of the Real Estate Specified Joint Venture Law. Our Group may face penalties for the breach of the Real Estate Specified Joint Venture Law, and may be required to restructure or terminate our TK Arrangements.

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Our Group may be affected by changes in the applicable laws or regulations governing our TK Arrangements

If there is a change to the applicable laws and regulations governing our TK Arrangements, additional costs may be incurred in order to ensure compliance with such laws and regulations which may have a material and adverse impact on our financial position. If such changes in the applicable laws and regulations lead us to terminate the TK Agreements, our Group would be subject to Japanese national and local tax as further described in the paragraph headed “Our Group is exposed to tax related risks arising from our TK Arrangements” in this section.

III. General risks associated with our business and operations

Our Group’s net profit for the year ending 31 March 2017 may show a substantial decline due to [REDACTED] and other factors whereby a net loss will be expected

Prospective investors are specifically warned that given (i) the estimated [REDACTED] of our Group, of which approximately HK\$[REDACTED] are expected to be charged to the combined statement of profit or loss of our Group for the year ending 31 March 2017; (ii) the cessation of introductory and marketing services to KK Tenyu AM; (iii) the loss of dividend income from our available-for-sale investments; (iv) the cessation of administrative service income from JRAM SG; (v) the decrease in share of results of JRAM Cayman and its subsidiary, JRAM SG; (vi) the potential tightening of the regulatory environment for companies seeking a listing on the Stock Exchange; and (vii) the recent status of our sponsorship engagements and the pipeline on hand, our Group’s net profit for the year ending 31 March 2017 may show a substantial decline as compared to that of the previous financial year whereby a net loss will be expected. Further details please refer to the paragraph headed “Recent developments and outlook” under the section headed “Summary” of this document.

Our Group faces risks associated with debt financing

As at 31 July 2016, being the latest practicable date to ascertain such information, our Group has incurred aggregate external borrowings of approximately HK\$134.0 million where borrowings from banks in Japan relating to our Properties in Japan amounted to JPY1.0 billion (equivalent to approximately HK\$76.0 million). If there is any material fluctuation in the market conditions, our Group may face refinancing risks such as the period of significant volatility in the financing market in Japan as previously observed by our Directors following the global financial crises of 2008, in particular in the segment of commercial mortgage backed securities (“CMBS”). The CMBS market was severely affected during this period, with credit agencies reporting unprecedented defaults of CMBS loans in Japan with many borrowers left with no refinancing options.

If our Group is unable to make repayments due under the respective loan facilities, the lenders may be able to declare an event of default and initiate enforcement proceedings in respect of any security provided in respect of such borrowings and/or call upon the guarantees provided. As our Group has created charges over our Properties to secure their payment of

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indebtedness, such charges could be enforced by the lender or the lender could require a judicial sale of the charged Properties in the event that our Group is unable to meet their interest or principal repayments with a consequent loss of income and asset value to our Group.

If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, thereby adversely affecting our cash flow and financial performance.

Our Group recorded net current liabilities as at 31 March 2015 and 2016

Our Group recorded net current liabilities of approximately HK\$30.0 million and HK\$41.8 million as at 31 March 2015 and 2016 respectively. The net current liabilities position was primarily attributable to (i) the classification as current liabilities (in accordance with the HKFRS) of loans of approximately HK\$22.6 million and HK\$21.6 million with repayment on demand clauses, despite being repayable in more than one year; and (ii) amount due to our Controlling Shareholders of approximately HK\$31.5 million as at 31 March 2016, of which approximately HK\$4.5 million has been subsequently fully settled in July 2016, with the remaining balance to be capitalised prior to [REDACTED]. Please refer to the paragraph headed "Net current liabilities" under the section headed "Financial information" of this document for further analysis.

Net current liabilities position exposes us to liquidity risk. Our future liquidity, payment of trade and other payables, our capital expenditure plans and repayment of debt obligations as and when they become due will depend on our ability to maintain adequate cash generated from operating activities and/or to obtain additional external financing. We may have net current liabilities in the future, which may limit our working capital for the purpose of operations or capital for implementation of our strategies and future plans and may adversely affect our business, financial conditions and results of operations.

We are exposed to the risk of failure to detect illegal or improper activities including money laundering

Our Group may not be able to detect money laundering and other illegal or improper activities fully or in a timely manner, which could expose our Group to liabilities for fines and other penalties and may affect our business.

Our Group is required to comply with applicable anti-money laundering laws and regulations in Hong Kong, for example, the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC, which has been effective since 1 April 2012. These laws and regulations require our Group, amongst other things, to carry out client due diligence and to report suspicious transactions to the applicable regulatory authorities. Our Group's policies and procedures currently in place to detect and prevent the use of our operations for money laundering activities and other illegal or improper activities may not preclude clients' intentional fraud. To the extent that our Group fails to (i) identify money laundering activities promptly; and/or (ii) fully comply with the applicable laws and regulations, the relevant government agencies may impose fines and/or other penalties on our Group, which may significantly affect our business operations and financial results.

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We are subject to the risk related to breakdowns of the information system and digital data storage

Our Group maintains a computer network for data storage and internal and external communication and conducts backup of its data storage on a regular basis. The computer server is located in our office premises while the backup of the data storage is stored separately. Any failure in safeguarding the computer network system from disruptive problems may cause breakdowns of the computer network system. As such, any damage to the computer hardware and data will cause business interruption to our Group and thus will directly and adversely affect its operating performance.

Similar to all other computer network users, the computer network system of our Group is vulnerable to the attack of computer viruses, worms, trojan horses, hackers or other similar computer network disruptive problems. Any failure in safeguarding the computer network system from such disruptive problems will cause breakdown of the computer network system and leakage of confidential information of our Group and our clients. Although we have installed computer anti-virus software and network router to protect the network system and has been relying on third party authentication technology to facilitate the transmission of confidential information, there is no assurance that our computer network system is absolutely secure. Any failure in the protection of computer network system from external threat may cause disruption to the operation of our Group and may damage our reputation for any breach of confidentiality to our clients and in turn may indirectly adversely affect the business operation and performance of our Group.

There is no assurance that the implementation of future plans will be successful

As set out in more detail in the section headed "Future plans and use of [REDACTED]" of this document, our Group intends to expand our corporate finance activities concurrently with our investing activities. Such plans are based on the existing intentions of our Directors. There is no assurance that our Group's future business plans will materialise and generate revenue as planned.

Prospective investors should note that the increase in cost as a result of the [REDACTED] and the additional staff for the expanded scope of service as contemplated under the future plans of our Group may outweigh the increase in revenue in the short run, which in turn, have an adverse impact on our financial performance.

RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

We are susceptible to volatility of the securities market in Hong Kong

The Hong Kong securities market is directly affected by the local and international economic and socio-political environments. Any downturn in the securities market in Hong Kong will directly and adversely affect the Group's performance. Historically, the local and international economic and socio-political environments fluctuated from time to time and the

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Hong Kong securities market was volatile due to such fluctuation. Severe fluctuation in market and economic sentiments may also result in a prolonged period of sluggish market activities. As aforementioned, corporate finance transactions are by nature non-recurring with demand being highly correlated to financial market conditions. As such, a prolonged period of sluggish market activities may have adverse impact on the Group's business and operating performance.

We are subject to competition in the industry

There are already established players in the industry. As at the Latest Practicable Date, there exist 101 entities that are licensed sponsors in Hong Kong. In the meantime, other than the requirements of minimum amount of paid-up share capital and liquid capital under the SFO and the FRR, capital or fixed asset investments are not required. As at 31 March 2016, there were respectively 1,037, 1,004, 281 and 1,153 licensed corporations which were licensed or registered with the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. In addition, certain professional firms (for example solicitors or certified public accountants) can also provide corporate finance advisory services without the need of being licensed by or registered with the SFC as long as the services or advice provided is wholly incidental to their practice as solicitors or certified public accountants.

These entities are in direct competition with our Group and include not only the multi-national financial institutions but also local firms. Our Directors believe that competition in the corporate finance industry rests on (i) the quality of services and advice provided to clients; (ii) the expertise and reputation of the licensed corporation; and (iii) business network and connections of the licensed corporation. There is no assurance that our Group will be able to uphold our competitive strengths. Any intensified competition may lead to pressure on fee income and staff turnover and may have adverse impact on the income and profitability of our Group.

Susceptibility to regulation changes on companies listed on the Stock Exchange

Companies listed on the Stock Exchange and parties seeking a listing on the Stock Exchange and/or carrying out corporate finance transactions may be required to appoint sponsors, FAs or IFAs from time to time (as applicable) in order to fulfill the relevant requirements of the Listing Rules, the GEM Listing Rules and the Takeovers Code. As the majority of our clients are companies listed on the Stock Exchange carrying out corporate finance transactions (including M&A transactions) or private companies seeking to list their shares on the Stock Exchange, we may be susceptible to any changes in rules and regulations in relation to the compliance requirements of the abovementioned rules and regulations. Any regulation changes on companies listed on the Stock Exchange, such as relaxations of rules and/or regulations requiring the appointment of sponsors, FAs or IFAs for corporate finance transactions for companies listed on the Stock Exchange may significantly affect the demand and scope of our corporate finance services and thereby adversely impact our business and prospects in the future. In particular, any tightening of the GEM Listing Rules or Listing Rules in the listing requirements for the Stock Exchange (particularly the GEM Listing Rules since during the Track Record Period, the majority of our sponsorship engagements entered into related to new listings on GEM) may affect our Group's business prospects in relation to our provision of sponsorship services.

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The property markets in Japan and Hong Kong may be volatile

The Japanese and Hong Kong property markets may be volatile and may experience oversupply and property price fluctuations. For instance, the Japanese and the Hong Kong governments may take steps to prevent and curtail any overheating of the Japanese or the Hong Kong economy and property market respectively. Such policies may result in changes in market conditions, including price instability and imbalance of supply and demand or restriction of foreign investors to participate in the property market in Japan, which may materially and adversely affect the business and financial conditions and the results of operations of our Group. There is also no assurance that there will not be any over-development in the property sector in the areas where our investments are located and other parts of Japan and Hong Kong in the future.

Any future over-development in the property sector in the areas where our investments are located and other areas in the proximity may result in an oversupply of properties, including residential properties, and a fall in property prices as well as rental rates, which could adversely affect the business and financial conditions and the results of operations of our Group.

RISKS RELATING TO ECONOMIC AND POLITICAL CONDITIONS IN HONG KONG AND JAPAN

We are susceptible to unfavourable political and economic development in Hong Kong and Japan

Our business and operations are based in Hong Kong and our Group derived income in Hong Kong and Japan during the Track Record Period. Accordingly, our business, financial conditions, results of operations and prospects are affected by government policies, as well as economic, social, political and legal developments in Hong Kong and Japan. In particular, events with adverse impact on investors' confidence and risk appetites, such as general deterioration of the Hong Kong and/or Japan economy, mass civil disobedience movements, significant fluctuations in the respective stock exchanges, deterioration of political relations or tightening of foreign investment in Japan may lead to a reduction in corporate and/or real estate investment/development activities and in turn our business performance.

As open economies, the domestic economies of Hong Kong and Japan are affected by many other unpredictable factors such as global, economic, social, legal and political developments and changes in local and international economic and political situations. There is no assurance that any changes in the existing government policies, economic, social, political conditions and the business environment in Hong Kong and Japan in the future will have a positive effect on our business operations.

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Natural catastrophes may materially disrupt and adversely affect the operations of our Properties

Severe weather conditions and natural disasters such as earthquakes, tsunamis, typhoons and floods may affect the operations of our Properties. These events may cause substantial structural and physical damage to our Properties, resulting in the incurrence of expenses in order to repair the damage caused. Natural catastrophes may also cause disruptions, affect investments and result in various other adverse effects on the economies in general. Furthermore, such environmental conditions may result in a decreased demand for our Properties, hence affecting the market value and rental income of our Properties.

This could materially and adversely affect the business and financial conditions and the results of operations of our Group.

RISKS RELATING TO THE [REDACTED] AND SHARE PERFORMANCE

The Shares are exposed to the risk of marketability and possible price and trading volatility

Prior to the [REDACTED], there has been no public market for the Shares, and there is no assurance that an active trading market for the Shares will develop or be sustained upon completion of the [REDACTED]. The market price and trading volume of the Shares may be highly volatile. Factors such as variations in our income, earnings or cash flows, and/or announcements of new investments and strategic alliances could cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be trading. There is no assurance that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, the Shares may be subject to changes in the market price which may not be directly related to our financial or business performance.

Risk of dilution of the Shareholders' equity interests

Our Group may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the ownership percentage of the Shareholders in our Company may be reduced and Shareholders may experience dilution in their shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

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Risk arising from impact of granting options under the Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date.

Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the ownership percentage of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue.

Under the HKFRSs, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our combined statement of profit or loss over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

Risk of future sales of Shares by existing Shareholders

There is no assurance that our substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period. Also, certain Shares held by KHHL are subject to the Call Options (details of which are disclosed in the section headed "Directors, senior management and employees" of this document.) Our Group cannot predict the effect, if any, that any future sales of the Shares by any substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sale of a substantial amount of our Shares by any of them, or the market perception that such sale may occur, could materially and adversely affect the prevailing market price of the Shares.

Prior dividend distributions are not an indication of our future dividend policy and we may not be able to pay any dividends on our Shares

Details of the dividend payments by our Group during the Track Record Period are set out in the paragraph headed "Dividend" under the section headed "Financial information" of this document.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. Whether dividends will be distributed and the amount of dividends to be paid will depend upon, among other things, our profitability, financial conditions, business development requirements, future prospects and cash requirements of our Group. Any declaration, payment and amount of dividends is at the discretion of our Directors, and will be subject to, among other things, our constitutional documents and the Cayman Islands law.

RISK FACTORS

The [REDACTED] is subject to potential termination of the [REDACTED]

Prospective investors of the [REDACTED] should note that the [REDACTED] (for itself and on behalf of the [REDACTED]) is entitled to terminate its obligations under the [REDACTED] when the [REDACTED] gives notice in writing to our Company upon the occurrence of any of the events stated in the paragraph headed "Grounds for termination" under the section headed "[REDACTED]" of this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs. Should the [REDACTED] exercises its rights (for itself and on behalf of the [REDACTED]) and terminate the [REDACTED], the [REDACTED] will not proceed and will lapse.

Minority shareholders protection under the laws of the Cayman Islands may be different from those under the laws of Hong Kong

Our Company's corporate affairs are governed by the Memorandum, the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of the minority shareholders may differ in some respects from those in Hong Kong. As a result, remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong. For details, please refer to Appendix V to this document.

RISKS RELATING TO CERTAIN INFORMATION CONTAINED IN THIS DOCUMENT

Risk of accuracy and completeness of statistics and facts

This document includes certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], any of their respective directors or any other party involved in the [REDACTED] and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

RISK FACTORS

Risk of inaccurate and/or incomplete information contained in press articles or other media

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage regarding our Group or the [REDACTED], and such information that was not sourced from or authorised by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media about our business or financial projections, share valuation or other information. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our Group’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Prospective investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although our Company believes the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that our plans or objectives will be achieved and prospective investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking statements” of this document for further details.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
------	---------------------	-------------

Executive Directors

Mr. Ip Arnold Tin Chee 葉天賜	Flat A, 1 st Floor Brewin Court 5 Brewin Path Hong Kong	Chinese
Mr. Chang Sean Pey 曾憲沛	Flat 2, 4 th Floor, Block A Wilshire Towers 200 Tin Hau Temple Road Hong Kong	Malaysian
Ms. Leung Churk Yin Jeanny 梁淩然	Flat 2, 4 th Floor, Block C Wisdom Court 5 Hatton Road Hong Kong	Chinese

Independent non-executive Directors

Mr. Chao Tien Yo 趙天岳	37D Tung Tau Wan Road Stanley Hong Kong	British
Mr. Chan Sun Kwong 陳晨光	Flat 1, 9 th Floor Block B, Pak On Building 105 Austin Road, Kowloon Hong Kong	Chinese
Mr. Lee Shu Yin 李樹賢	Flat 48C, Tower 1, Sorrento 1 Austin Road West, Kowloon Hong Kong	Chinese

For further information, please refer to the section headed “Directors, senior management and employees” of this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

New Spring Capital Limited

A corporation licensed by the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Unit 2108, 21st Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

Altus Capital Limited

A corporation licensed by the SFC to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

21 Wing Wo Street
Central
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong law

Michael Li & Co.

19th Floor, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

As to Japan law

Hayabusa Asuka Law Offices

4th Floor, Kasumigaseki Building
3-2-5 Kasumigaseki
Chiyoda-ku
Tokyo
Japan

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to our Company

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Legal advisers to the Joint Sponsors, the [REDACTED] and [REDACTED]

As to Hong Kong law

Stevenson, Wong & Co.

4th Floor, 5th Floor & 1602, Central Tower
28 Queen's Road Central
Hong Kong

Auditors and reporting accountants

SHINEWING (HK) CPA Limited

Certified Public Accountants
43rd Floor, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Property valuers

Colliers International Tokyo

7th Floor, Halifax Building
3-16-26 Roppongi
Minato-ku
Tokyo 106-0032
Japan

Vigers Appraisal And Consulting Limited

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

Independent Japan tax adviser

KPMG Tax Corporation

12th Floor, Izumi Garden Tower
1-6-1 Roppongi
Minato-ku
Tokyo 106-6012
Japan

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	21 Wing Wo Street Central, Hong Kong
Compliance officer	Leung Churk Yin Jeanny (梁綽然)
Joint company secretaries	Chan Ka Lam (陳嘉琳) (HKICPA, HKICS) 21 Wing Wo Street Central, Hong Kong Law Yin Nee (羅燕妮) (HKICPA, HKICS) 21 Wing Wo Street Central, Hong Kong
Compliance adviser	New Spring Capital Limited Unit 2108, 21 st Floor China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan, Hong Kong
Company website	<i>www.altus.com.hk</i> (information contained in this website does not form part of this document)
Audit committee	Chan Sun Kwong (陳晨光) (Chairman) Chao Tien Yo (趙天岳) Lee Shu Yin (李樹賢)
Remuneration committee	Lee Shu Yin (李樹賢) (Chairman) Chao Tien Yo (趙天岳) Chan Sun Kwong (陳晨光) Ip Arnold Tin Chee (葉天賜)
Nomination committee	Chao Tien Yo (趙天岳) (Chairman) Chan Sun Kwong (陳晨光) Lee Shu Yin (李樹賢) Ip Arnold Tin Chee (葉天賜)

CORPORATE INFORMATION

**Authorised representatives (for the
purpose of the GEM Listing Rules)**

Ip Arnold Tin Chee (葉天賜)

Flat A, 1st Floor
Brewin Court
5 Brewin Path
Hong Kong

Chang Sean Pey (曾憲沛)

Flat 2, 4th Floor, Block A
Wilshire Towers
200 Tin Hau Temple Road
Hong Kong

[REDACTED]

Principal bankers

Chong Hing Bank Limited

Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

Hang Seng Bank Limited

83 Des Voeux Road Central
Hong Kong

Mizuho Bank, Ltd.

1-1-5 Uchisaiwaicho
Chiyoda-ku
Tokyo
Japan

The Tokyo Star Bank, Limited

Akasaka Star Gate Plaza
3-5, Akasaka 2-chome
Minato-ku
Tokyo
Japan

INDUSTRY OVERVIEW

This section contains certain information which has been directly or indirectly derived, in part, from various governmental, official, publicly available documents, the internet or other sources, which was not commissioned by our Group nor the Joint Sponsors, except for a research report by an independent research house, JREI, on the Japan real estate market, being the JREI Report commissioned by our Group. References to JREI should not be considered as the opinion of JREI as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting, compiling and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The relevant information has not been independently verified by our Group, the Joint Sponsors, the [REDACTED], the [REDACTED] or any of their respective affiliates or advisers, and therefore may not be accurate, complete or updated. We make no representation as to the accuracy, completeness or fairness of such information and accordingly the information contained herein should not be unduly relied upon.

In respect of the information which has been directly or indirectly derived from the HKEx's documents, the HKEx and its subsidiaries do not guarantee the accuracy or reliability of the information and do not accept any liability (whether in tort, contract or otherwise) for any loss or damage arising from any inaccuracy or omission of the information; or any decision, action or non-action based on or in reliance upon any information by any person.

SOURCE OF INFORMATION

Report conducted by JREI

JREI is a research, consulting and appraisal institute focusing on the Japan real estate market and is an Independent Third Party. JREI was commissioned by our Group to prepare the JREI Report in respect of the real estate market in Japan for an aggregate fee of JPY648,000. Information disclosed in this document which is attributable to JREI has been extracted from the JREI Report, which was prepared in the ordinary course of business of JREI, and published with the consent of JREI. Information on the Japan real estate market included in this document is based on JREI's published surveys, public data from listed real estate investment trusts in Japan, and various government official publications (such as the *Population Census* and *National Institute of Population and Social Security Research Reports*).

INDUSTRY OVERVIEW

SECURITIES MARKET IN HONG KONG

Listed companies and newly listed companies in Hong Kong

The Hong Kong securities market maintained its performance from 2014 into 2015 with the securities market's total market capitalisation at the year-end of 2015 amounting to approximately HK\$24,683.8 billion, which is approximately 1.5% lower than the year-end total market capitalisation of approximately HK\$25,071.8 billion in 2014.

Market capitalisation of listed companies on the Main Board and GEM increased from approximately HK\$13,248.8 billion as at 31 December 2006 to approximately HK\$24,425.6 billion as at 31 December 2015, and from approximately HK\$88.9 billion in 2006 to approximately HK\$258.2 billion in 2015 respectively during the same period of time.

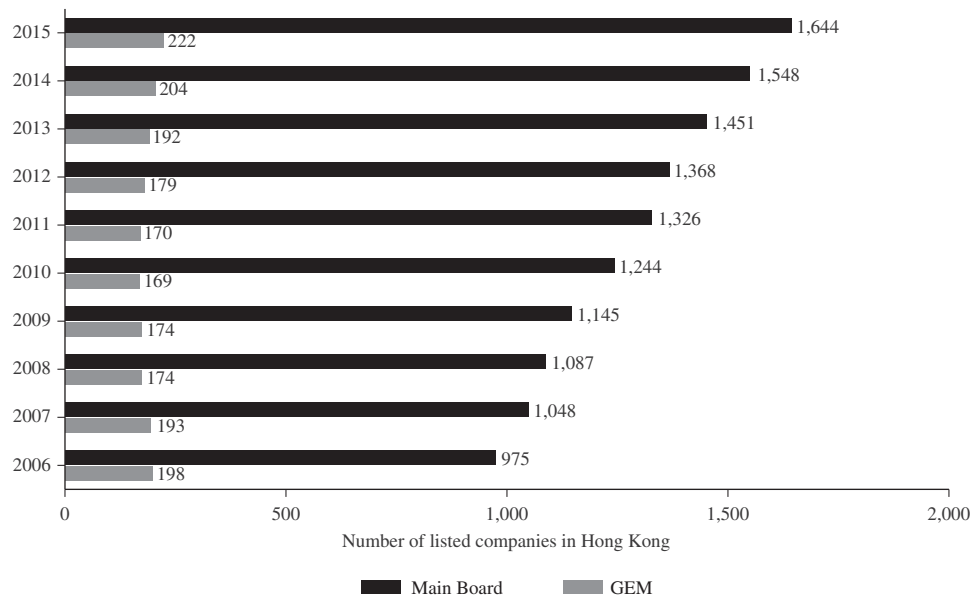
The total equity funds raised was approximately HK\$1,087.0 billion, with an aggregate of 138 newly listed companies on the Main Board and GEM, raising approximately HK\$261.3 billion through initial public offerings in 2015. Newly listed companies include companies listed by way of initial public offerings, by way of introduction and transfer of listing from GEM to Main Board.

There were a total of 1,644 companies and 222 companies listed on the Main Board and GEM respectively as at 31 December 2015. During the ten-year period from 2006 to 2015, the number of companies listed on the Main Board increased from 975 companies to 1,644 companies and the number of companies listed on GEM remained between 198 to 222 companies. For illustrative purposes, the number of companies which newly listed on the Main Board and GEM during the year ended 31 December 2006 numbered 56 and 6 respectively, which had grown to 104 and 34 newly listed companies on the Main Board and GEM respectively during the year ended 31 December 2015.

INDUSTRY OVERVIEW

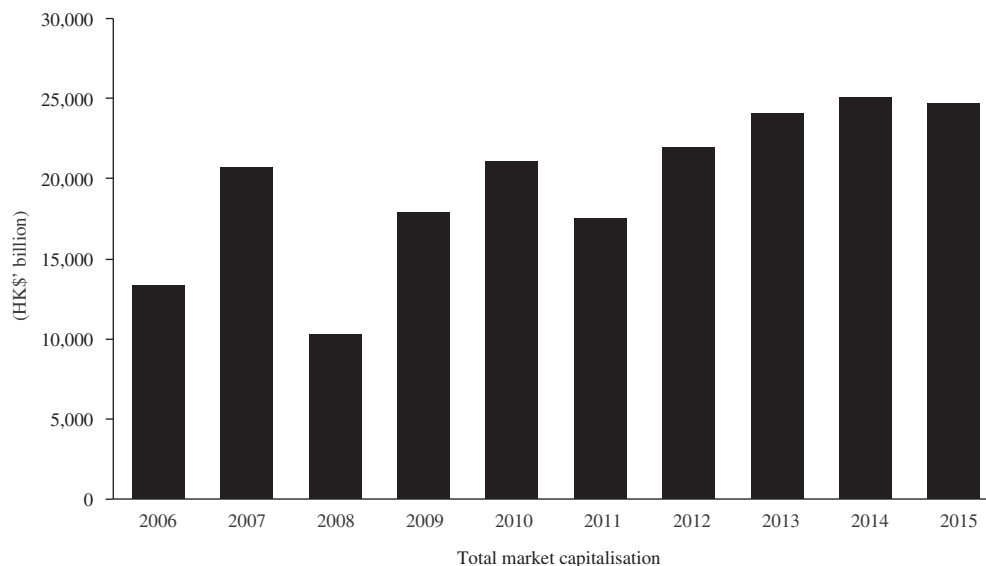
The following charts illustrate the number of listed companies in Hong Kong and the corresponding total market capitalisation of these companies as at 31 December from 2006 to 2015:

Number of listed companies in Hong Kong



Source: HKEx Fact Book

Total market capitalisation of listed companies in Hong Kong from 2006 to 2015



	HK\$' billion									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Main Board	13,248.8	20,536.5	10,253.6	17,769.3	20,942.3	17,452.7	21,871.7	23,908.8	24,892.4	24,425.6
GEM	88.9	161.1	45.2	105.0	134.7	84.6	78.4	134.0	179.4	258.2
Total	13,337.7	20,697.6	10,298.8	17,874.3	21,077.0	17,537.3	21,950.1	24,042.8	25,071.8	24,683.8

Source: SFC Website – Statistics of Hong Kong securities and futures markets

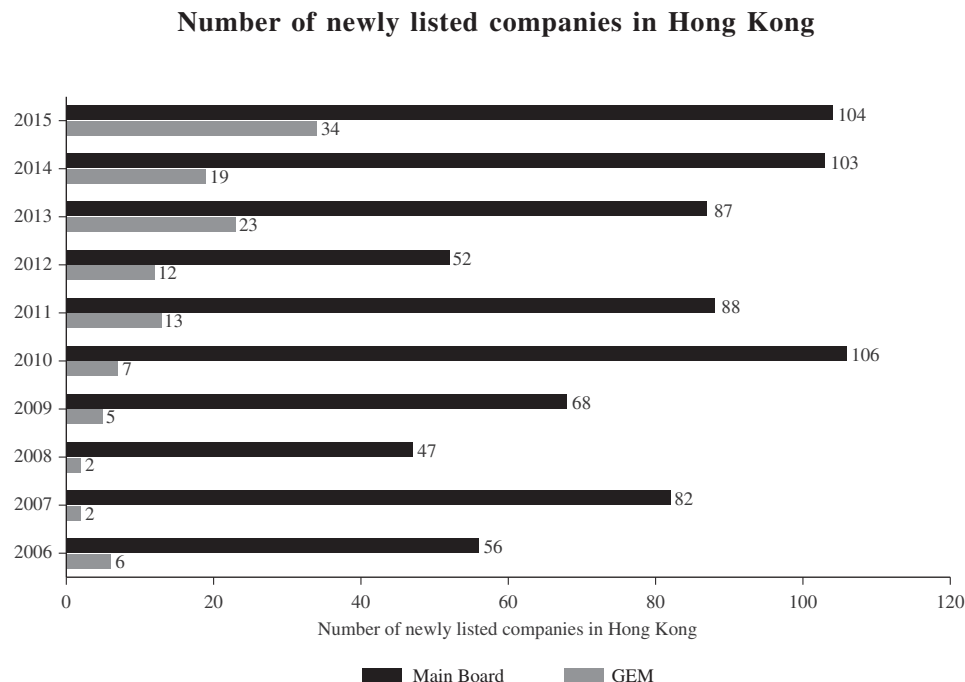
INDUSTRY OVERVIEW

As evidenced by the above charts, there has been an increase in the number of listed companies on the Main Board and GEM over the past decade and such growth in potential demand has created opportunities for corporate finance service providers.

Overview of the Hong Kong corporate finance service sector

Sponsorship and compliance advisory

As mentioned in the section headed “Business” of this document, where we are engaged as the sponsor for a listing applicant, we are usually retained as the compliance adviser after the successful listing of the listing applicant. There are also other cases where we are approached by other listing applicants, whom we have not sponsored, to act as their compliance adviser subsequent to their listing. Our Directors believe that there are opportunities to expand our corporate finance services business by capturing the market of potential listing applicants as well as the growing number of listed issuers. The following chart illustrates the number of newly listed companies in Hong Kong as at the respective year end date on 31 December from 2006 to 2015:



Source: HKEx Fact Book

Note: Newly listed companies on the Main Board include companies which have transferred from GEM to Main Board during the respective years.

The number of newly listed companies on the Hong Kong securities market has been increasing for the past few years and our Directors believe that such ongoing trend is likely to translate into an increase in corporate finance activities in Hong Kong, which is favourable to our Group’s corporate finance business.

INDUSTRY OVERVIEW

Set out below is a table detailing the total amount of equity funds raised on the Main Board and GEM by way of initial public offerings during each of the five years ended 31 December 2015:

Total equity funds raised by way of initial public offerings

	For the year ended 31 December				
	2011	2012	2013	2014	2015
	HK\$'	HK\$'	HK\$'	HK\$'	HK\$'
	billion	billion	billion	billion	billion
Main Board	258.5	88.9	165.8	230.4	258.6
GEM	1.3	1.1	3.2	2.2	2.7
Total	259.8	90.0	169.0	232.6	261.3

Source: SFC Website – Statistics of Hong Kong securities and futures markets

During the year ended 31 December 2015, the equity funds raised by way of initial public offerings on the Main Board and GEM amounted to approximately HK\$258.5 billion and approximately HK\$2.7 billion respectively, representing CAGR of approximately less than 0.1% and approximately 19.7% from 2011 to 2015.

In the past, we have provided sponsorship services to companies with market capitalisations at listing equal to or less than HK\$1,000 million in Hong Kong (being calculated by multiplying the number of outstanding shares at listing by the offer price), which we regarded as the small to medium-sized market capitalisation segment. The majority of our Group's sponsorship engagements during the Track Record Period related to GEM listings, whilst some related to Main Board listings. During the year ended 31 December 2014, there were 18 and 25 companies newly listed on GEM and Main Board respectively with market capitalisation at listing equal to or less than HK\$1,000 million. The numbers increased to 33 and 36 on GEM and Main Board respectively during the year ended 31 December 2015. Our Directors consider that there have been a growing number of newly listed companies with small to medium-sized market capitalisation and going forward, we intend to continue to focus on this segment so as to capture the market opportunities.

On 3 June 2016, the Stock Exchange published a guidance letter on the initial public offering vetting and suitability for listing (HKEx-GL68-13A) in which it stated that there have been a number of listed issuers whose controlling shareholders either changed or have gradually sold down their interests shortly after the regulatory lock-up period following listing. One explanation for this phenomenon is the perceived premium attached to the listing status of such issuers rather than the development of the underlying business or assets. The Stock Exchange believes that such companies will invite speculative trading activities when identified by potential buyers, leading to opportunities for market manipulation, insider trading and unnecessary volatility in the market post-listing, none of which is in the interest of the investing public. Furthermore, activities by such companies may be structured so that they are not subject to relevant regulatory scrutiny.

INDUSTRY OVERVIEW

The guidance letter revealed the Stock Exchange's concerns in respect of listing applicants whose size and prospects do not appear to justify the costs or purpose associated with a public listing. The Stock Exchange has also observed that such companies in general exhibit one or more of the following characteristics: (i) small market capitalisation; (ii) marginal fulfillment of the listing eligibility requirements; (iii) fund raising with disproportionately high listing expenses; (iv) pure trading business with a high concentration of customers; (v) asset-light businesses where a majority of the assets are liquid and/or current assets; (vi) superficial delineation of business from the parent whereby the applicant's business is artificially delineated from the parent by geographical area, product mix or different stages of development; and/or (vii) have little or no external funding at the pre-listing stage. According to the Stock Exchange's news release dated on the same date, it is revealed that the Stock Exchange plans to take a more focused review when a listing applicant has certain characteristics identified in the guidance letter, and may impose additional requirements or conditions or exercise its discretion to reject the applicant's listing on the grounds of suitability.

As aforementioned, since we intend to continue to focus on sponsoring small to medium-sized capitalisation listings, our potential clients are likely to exhibit one or more of the characteristics indicated in the abovementioned guidance letter of the Stock Exchange. Although the final conclusion of any additional requirements or conditions to be imposed on our sponsorship clients during the regulator's review process of the respective listing applications would be subject to case specific circumstances (such as business and financial matters) of each client, our Directors are of the view that the tightening of the regulatory environment will generally create higher barriers for companies with small to medium-sized proposed market capitalisation when seeking to list on the Stock Exchange in that they may potentially be subject to greater scrutiny and a longer vetting process. This, coupled with the anticipated review of GEM under the Listing Committee's policy agenda for 2016 and beyond may create market uncertainty and affect our Group's business prospects in relation to our sponsorship services.

Our Group was set up over 15 years ago to provide corporate finance services and has continued to provide such services against the backdrop of a continuously evolving regulatory regime. Our Directors expect that the GEM Listing Rules and the Listing Rules will continue to evolve and expect that our Group will keep up with and capitalise on such changes accordingly, as it has in the past.

Financial advisory and independent financial advisory

As set out in the section headed "Business" of this document, our Group's financial services in relation to corporate finance advisory services in Hong Kong include financial advisory services to listed companies in compliance with the relevant rules and regulations governing the listed companies, namely the Listing Rules, the GEM Listing Rules and the Takeovers Code. Financial advisers are engaged by listed companies to advise and oversee the process of the listed companies' fundraising activities and to ensure that all the necessary documents are filed and submitted to the relevant governing authorities, such as the HKEx and

INDUSTRY OVERVIEW

the SFC, in compliance with the Listing Rules, the GEM Listing Rules and the Takeovers Code. In other circumstances, fundraising activities conducted by listed companies or activities relating to the Takeovers Code may require the listed companies to engage independent financial advisers for issuing opinions to the shareholders of the listed companies in relation to such fundraising activities. The aforementioned growth in the number of listed companies on the Stock Exchange in the past decade has led to a widened pool of potential clients and thereby a rise in potential demand for financial advisory services.

Similarly, according to the statistics available from SFC's Annual Report 2014-2015, there were 288 Takeovers Code related applications and 96 Takeovers Code related transactions as compared to 209 Takeovers Code related applications and 81 Takeovers Code related transactions as mentioned in SFC's Annual Report 2013-2014. In view of the above and the fact that the total transaction value for Takeovers Code related transactions increased from approximately HK\$34,296 billion in 2014 to approximately HK\$52,162 billion in 2015, our Directors believe that the outlook of the corporate finance advisory business relating to the Takeovers Code will be positive, which is beneficial to the prospect of our Group's corporate finance services.

The following table sets out the number of Takeovers Code related applications and transactions for each of the five years ended 31 December 2015:

Number of Takeovers Code related applications and transactions

	For the year ended 31 December				
	2011	2012	2013	2014	2015
Takeovers Code related applications	237	212	185	209	288
Takeovers Code related transactions	67	71	66	81	96

Source: SFC website – SFC's Annual Reports

With the increase in demand for financial advisory services in Hong Kong as mentioned above, the equity funds raised directly and indirectly through the Stock Exchange have increased in the past years. According to the market and industry statistics of the SFC, the equity funds raised on the Main Board during the year 2015 were approximately HK\$1,087.0 billion, representing a CAGR of approximately 22.5% when comparing to 2011. On GEM, the equity funds raised have slightly increased over the years from 2011 to 2015 to approximately HK\$22.0 billion, recording a CAGR of approximately 30.6%.

INDUSTRY OVERVIEW

Set out below are two tables breaking down the total amount of equity funds raised (excluding initial public offerings) on the Main Board and GEM during the respective years ended 31 December 2011 to 2015:

Total equity funds raised (excluding initial public offerings)

	For the year ended 31 December				
	2011	2012	2013	2014	2015
	HK\$'	HK\$'	HK\$'	HK\$'	HK\$'
	billion	billion	billion	billion	billion
Main Board					
Rights issue	63.8	29.6	30.8	78.6	116.5
Placing	63.0	134.6	98.0	295.5	424.1
Others, including warrants exercised, consideration issue and share option scheme	97.5	47.1	75.2	325.0	287.8
	<u>224.3</u>	<u>211.3</u>	<u>204.0</u>	<u>699.1</u>	<u>828.4</u>
GEM					
Rights issue	1.3	1.1	0.6	3.5	5.1
Placing	2.9	1.8	3.5	4.9	12.2
Others, including warrants exercised, consideration issue and share option scheme	1.9	1.1	1.7	2.8	1.9
	<u>6.1</u>	<u>4.0</u>	<u>5.8</u>	<u>11.2</u>	<u>19.2</u>
Total	<u><u>230.5</u></u>	<u><u>215.3</u></u>	<u><u>209.8</u></u>	<u><u>710.3</u></u>	<u><u>847.6</u></u>

Source: SFC website – Statistics of Hong Kong securities and futures markets

According to the table above, the equity funds raised by way of rights issue on the Main Board during the year 2015 were approximately HK\$116.5 billion, representing a CAGR of approximately 16.2% over the years from 2011 to 2015. On GEM, the equity funds raised by way of rights issue significantly increased over the years from 2011 to 2015, reaching up to approximately HK\$5.1 billion, representing a CAGR of approximately 39.6%.

INDUSTRY OVERVIEW

Furthermore, the equity funds raised by way of placing on the Main Board during the year 2015 was approximately HK\$424.1 billion, representing a CAGR of approximately 61.1% over the years from 2011 to 2015. On GEM, the equity funds raised by way of placing increased to approximately HK\$12.2 billion, representing a CAGR of approximately 42.7%, over the years from 2011 to 2015. Similarly, the equity funds raised by other methods such as by way of warrants exercised, consideration issue and share option scheme on the Main Board during the year 2015 were approximately HK\$287.8 billion, representing a CAGR of approximately 31.1% over the years from 2011 to 2015. On GEM, the equity funds raised by way of warrants exercised, consideration issue and share option scheme in 2015 decreased to approximately HK\$1.9 billion, representing a CAGR of approximately -0.2%, over the years from 2011 to 2015.

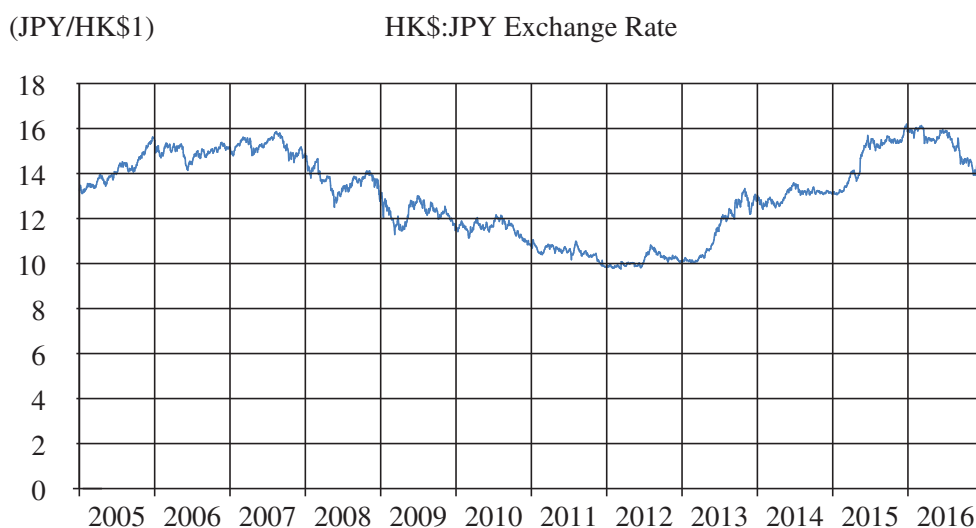
As shown in the above tables, the overall performance of the equity fundraising market follows the trend of the securities market of Hong Kong and fluctuates from year to year. There is no particular trend of growth in terms of the quantitative amount of the overall equity funds raised during the years from 2011 to 2015.

REAL ESTATE MARKET IN JAPAN

Overview of the Japan real estate market

General economic overview of Japan

According to the JREI Report, the economy of Japan is recovering at a moderate pace as the performance of businesses is generally improving. While exports and industrial production remain relatively flat, consumer spending has begun to show signs of picking up. The gradual recovery of the Japanese economy is expected to continue even though risks such as unstable global economy may persist. The HK\$:JPY exchange rate is set out below:



Source: Prepared by JREI based on Mizuho Bank data

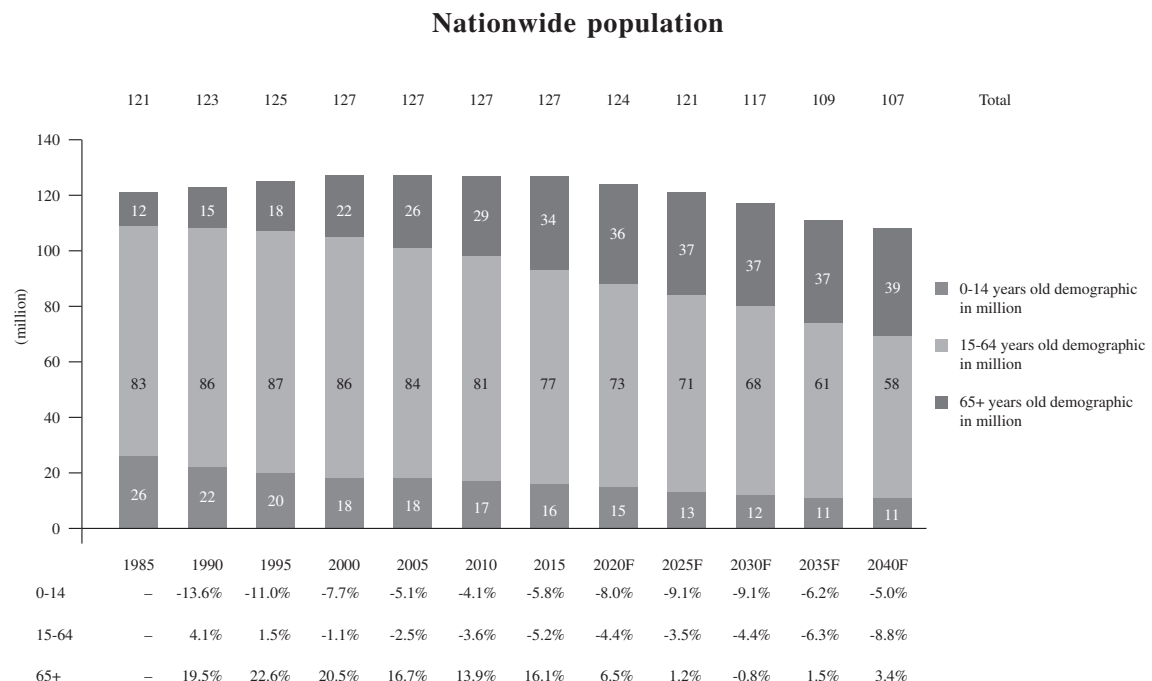
INDUSTRY OVERVIEW

Population trend and effects of urbanisation (nationwide and major cities)

According to the *National Institute of Population and Social Security Research* in Japan, the total population of Japan reached its peak of approximate 127 million in 2005 and has since been on a steady declining trend. Population of the elderly, being persons of over 65 years old, has steadily increased in the past and the number of elderly is expected to continually increase going forward. On the other hand, the 15-64 years old demographic has been on a declining trend since 1995 and decreasing from approximately 87 million in 1995 to approximately 77 million in 2015 and the 0-14 years old demographic also showed a declining trend throughout the period from 1985 to 2010, decreasing from approximately 26 million in 1985 to approximately 16 million in 2015.

Despite the declining trend in the overall population nationwide, as evidenced by the yearly increase in the elderly population and the yearly decrease in the population of the 15-64 years old and 0-14 years old demographics, Japan's demography is also experiencing the effect of urbanisation with the three major cities of Japan (being Tokyo, Sapporo and Fukuoka), all experiencing steady increases in population for the past decades. Such demographic trend of urbanisation is the result of more people moving from suburban areas to the major cities of Japan for education and employment opportunities.

The following graph shows the population census of Japan in five-year intervals during the period from 1985 to 2015 and the forecasted population in five-year intervals from 2020 to 2040. The forecast was based on the assumption that both the birth rate and death rate would maintain their historical averages.



Sources: Population censuses for figures from 1985 to 2015 and National Institute of Population and Social Security Research "Population Projection" for forecasted figures from 2020 to 2040.

INDUSTRY OVERVIEW

Japanese multifamily market (nationwide and major cities)

There are two predominant types of housing classifications in Japan’s property market, being a single-family home (such as a detached house) and a multifamily housing unit building (also known as a residential apartment building). As described in the section headed “Business” of this document, our Group’s property investments in Japan comprise properties with multifamily housing units. There were 9,945,800 occupied private multifamily housing units in Japan in 2013 according to a government survey. Out of which, 6,154,600 units were occupied by single-person households, accounting for approximately 61.9% of the total occupied private multifamily housing unit in Japan.

In some major cities, such as Tokyo, Sapporo, and Fukuoka (where some of our Group’s property investments are located), the population increased in the recent past. Japan has a very lenient zoning regulation for constructing/developing multifamily buildings. Further, constructing multifamily buildings enables landowners to generate inheritance tax savings.

Nationwide average sales of multifamily units

	For the year ended 31 December			
	2012	2013	2014	2015
	<i>JPY’</i>	<i>JPY’</i>	<i>JPY’</i>	<i>JPY’</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Sales volume	375,124	616,119	673,556	618,069
Average sales price of multifamily per unit	20.6	21.5	23.3	21.3

Source: Prepared by JREI based on Real Capital Analytics Data

Average sales price of multifamily unit (Note 1)

	For the year ended 31 December			
	2012	2013	2014	2015
	<i>JPY’</i>	<i>JPY’</i>	<i>JPY’</i>	<i>JPY’</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Tokyo	25.8	26.8	29.5	29.7
Fukuoka	13.6	13.4	15.2	14.6
				(Note 2)
Sapporo	12.5	11.2	11.0	12.2
	(Note 3)		(Note 4)	

Source: Prepared by JREI based on Real Capital Analytics Data

Notes:

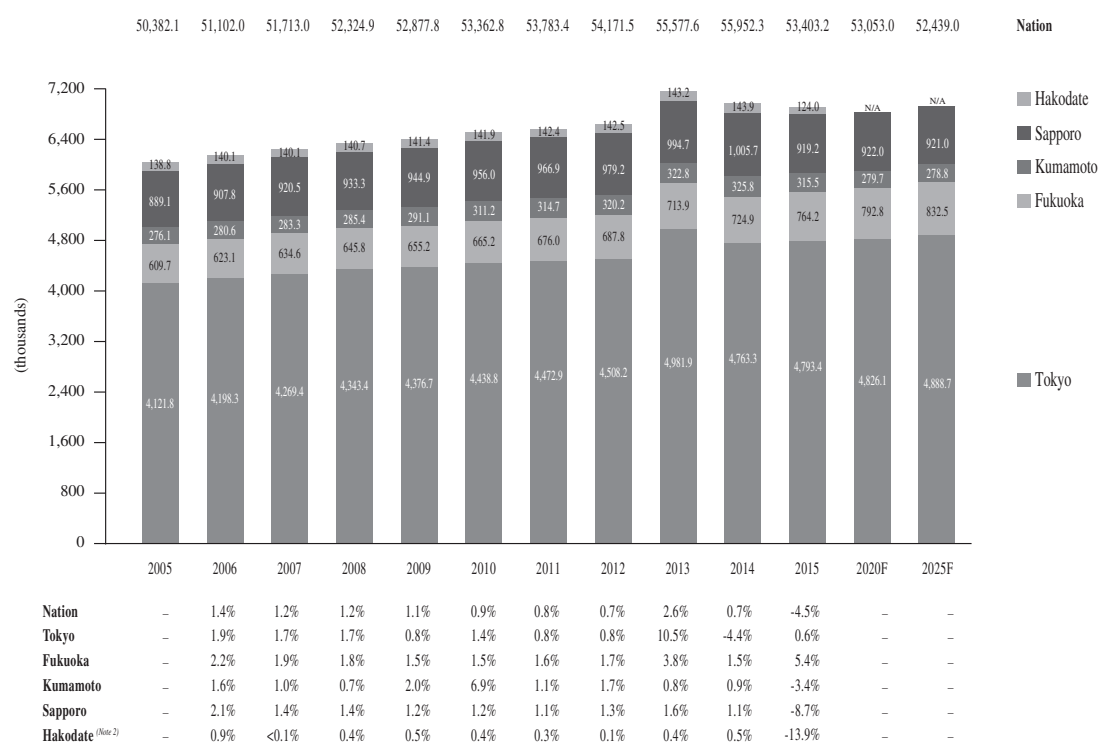
1. It has not been possible to obtain accurate and comprehensive information regarding property prices and occupancy rates of residential units via sources other than that of listed REITs since it is not mandatory for property transactions to be recorded on a public registry in Japan. Moreover, information regarding average sales prices was not available for Kumamoto and Hakodate.
2. The average excludes data for the fourth quarter of 2015.
3. The average only includes data for the third quarter of 2012.
4. The average excludes data for the third quarter of 2014.

INDUSTRY OVERVIEW

Property market for Tokyo, Fukuoka, Kumamoto, Sapporo and Hakodate

The following tables illustrate the estimated number and the year-on-year percentage change of households nationwide and in the five cities in which our Group's Properties are located (namely, Tokyo, Fukuoka, Kumamoto, Sapporo and Hakodate) from 2005 to 2015 and the forecasted number of households nationwide and in the abovementioned five cities for 2020 and 2025:

Number of households^(Note 1)



Sources: Ministry of Internal Affairs and Communications for figures from 2005 to 2015 and the National Institute of Population and Social Security Research for the nationwide forecast and each municipality for the city-level forecast for forecasted figures from 2020 to 2025

Notes:

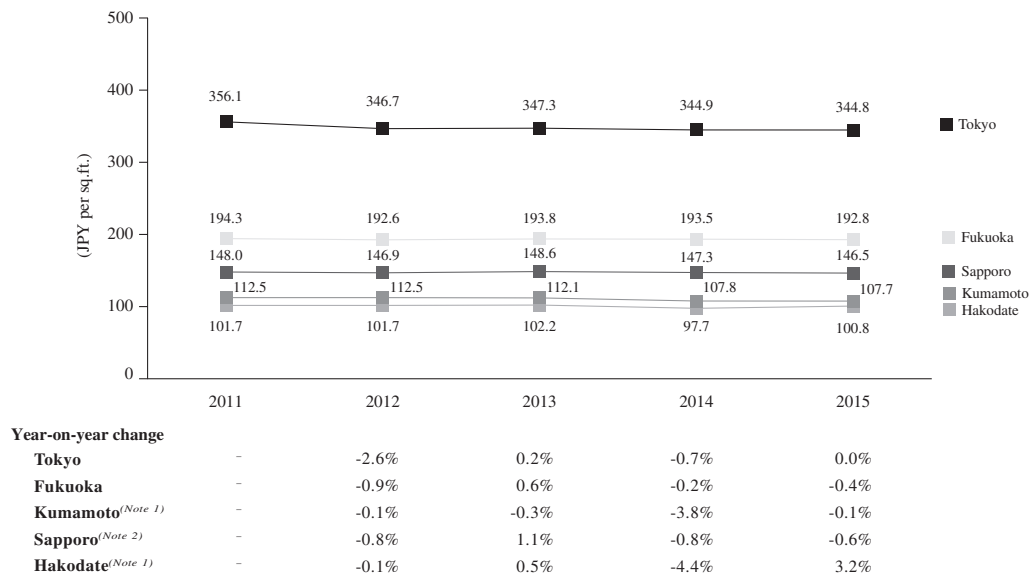
1. The above annual statistics for the number of households are based on the Resident Registry Book, which is maintained by each municipality. Therefore, the numbers in the above table do not correspond with those data which appear in the main text of this report, which are census figures.
2. Forecasted figures for the number of households in Hakodate are not available.

As illustrated in the above table, the number of households both nationwide and in the five cities in Japan in which 14 of our Properties are located has been gradually increasing from 2005 to 2014. Our Directors believe that the gradual increase in the number of households is the natural result of the urbanisation as mentioned above as slightly offset by the decreasing population across Japan.

INDUSTRY OVERVIEW

The following table illustrates the estimated average monthly rent per sq. ft. of the multifamily assets owned by listed REITs in the five cities in which 14 of our Properties are located in Japan from 2011 to 2015:

Average monthly rent



Sources: Figures for Tokyo, Fukuoka and Sapporo are prepared by JREI based on listed REITs data and figures for Kumamoto and Hakodate were prepared by JREI based on governmental data.

Notes:

- For Kumamoto city and Hakodate city, statistics of average monthly rent figures are compiled by the Ministry of Internal Affairs and Communications.
- Based on average monthly rent of multifamily assets owned by listed REITs in Sapporo City.

As illustrated in the table above, the average monthly rent for the five cities in which 14 of our Properties are located in Japan remained relatively stable with nominal fluctuations from 2011 to 2015. Our Directors are of the view that the nominal fluctuations of the average monthly rent is consistent with the trend of the real estate market, i.e., the market rental price does not fluctuate.

INDUSTRY OVERVIEW

Whilst the average monthly rental rate recorded in Tokyo, Fukuoka and Sapporo remained stable with nominal fluctuations from 2011 to 2015, the average capitalisation rates (being the rate of return on an investment property) for Tokyo, Fukuoka and Sapporo all fell gradually. The following table lists out the multifamily building capitalisation rate by surveyed investors:

Multifamily building capitalisation rate by surveyed investors (Note)

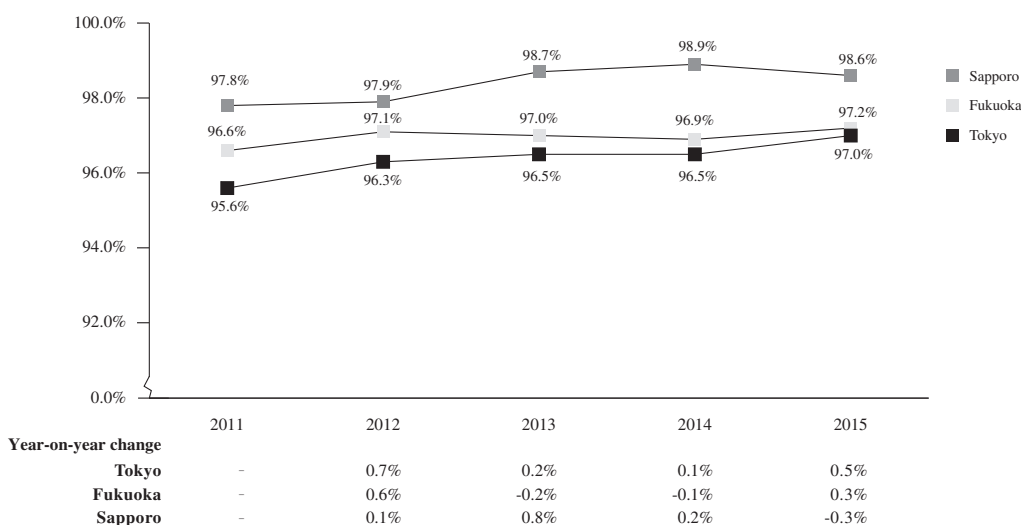
	Tokyo's Jonan District (Meguro and Setagaya Wards)	Sapporo City	Fukuoka City
2011 H1	5.8%	7.8%	7.2%
2011 H2	5.7%	7.7%	7.0%
2012 H1	5.6%	7.6%	7.0%
2012 H2	5.6%	7.5%	6.8%
2013 H1	5.5%	7.4%	6.7%
2013 H2	5.4%	7.2%	6.6%
2014 H1	5.2%	7.0%	6.5%
2014 H2	5.1%	6.8%	6.3%
2015 H1	5.0%	6.6%	6.0%
2015 H2	4.8%	6.4%	5.9%
2016 H1	4.7%	6.2%	5.8%

Source: Prepared by JREI based on JREI Real Estate Investor Survey

Note: The capitalisation rates are based on the results of surveys conducted by JREI, which are based on responses relating to, among others, real estate investors' expected returns and investment outlook with respect to each geographic area as a whole and do not necessarily reflect specific rates derived from actual transactions.

The following table illustrates the estimated occupancy rate of the multifamily assets owned by listed REITs in Tokyo, Fukuoka and Sapporo from 2011 to 2015:

Occupancy rate of multifamily assets owned by listed REITs



Source: Prepared by JREI based on listed REITs data

INDUSTRY OVERVIEW

As indicated above, the occupancy rate of multifamily assets owned by listed REITs in three cities above in which certain of our Properties are located remained relatively high from 2011 to 2015, mainly attributable to the high demand for quality multifamily units and the increasing demand for apartments in general as a result of urbanisation.

TK Arrangements

Our Group has adopted the TK structure for the investments in our 14 Properties in Japan.

A TK arrangement is a contractual arrangement defined in the Commercial Code of Japan. As disclosed in the paragraph headed “Common Japanese real estate investment structures for foreigners” under the section headed “Regulatory overview” of this document, the TK structure is one of the typical investment structures adopted by foreign investors when investing in Japan, utilised primarily for (i) tax benefits; (ii) non-recourse financing advantage; (iii) control over acquisition and disposal of properties; and (iv) limited legal liability (for details, please refer to the section headed “Our TK Arrangements” of this document). Our Directors confirm, and our legal advisers as to Japan law and our independent tax adviser concur, that the TK arrangement is a common method of holding properties in Japan.

Through the TK Arrangements, our Company has beneficial interests over our Properties in Japan, although we do not have direct ownership of them. Setting up a TK arrangement entails the establishment of a GK as a TK operator and an ISH as a holding company of a TK Operator, as further described in the section headed “Our TK Arrangements” of this document. The TK Operator owes its fiduciary duty to the TK Investor according to the Commercial Code of Japan.

Our TK Investors’ basic rights and obligations are set out in the Commercial Code of Japan and further articulated in our TK Agreements, and the Joint Sponsors concur with our legal adviser as to Japan law that our TK Arrangements are legally enforceable under Japan law and our TK Investors’ rights are protected under Japan law.

Our Directors confirm that based on their past experience of investing in Japan real estate in various capacities, including those under Saizen REIT; they have not experienced and are not aware of an instance where a TK operators had failed to fulfil its fiduciary duty under a TK arrangement to the extent that a TK investor has had to terminate the TK agreements in order to protect and secure its interest in the underlying properties. Our legal advisers as to Japan law as well as our independent Japan tax adviser have also confirmed that they have not come across, and are not aware of, such an instance in the industry.

Through obtaining control of the underlying properties following the termination of the TK Agreements as described in the paragraph headed “Termination and cancellation” under the section headed “Our TK Agreements” of this document, our legal advisers as to Japan law confirm that the rights of the TK Investors and their interests in the underlying Properties will be protected under the Japan Law.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Corporate finance industry

According to the statistics published by the SFC, the total number of licensed corporations and registered institutions registered under the SFO as at 31 March 2016 were 3,966 and 304 respectively, out of which 281 licensed corporations and 33 registered institutions were licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO while the others are licensed to carry on other types of regulated activities under the SFO. Our Directors are of the view that our Group must compete with these competitors principally in the areas of experience, price, speed and quality of output and market reputation. The fees chargeable for corporate finance services can fluctuate due in part to volatility in the capital markets and according to level of demand across the industry. Further, the competitive landscape of corporate finance also induces competition for the hiring of experienced licensed representatives and accomplished responsible officers among the licensed corporations and registered institutions. Our Directors believe it is important to possess sufficient operational capacity to harness opportunities when they arise whilst avoiding surplus headcount, which may affect our Group's profitability.

Given that the scope of the corporate finance industry is vast and that there are many corporate finance firms with different target clientele conducting Type 6 (advising on corporate finance) regulated activities under the SFO, our Directors believe that the corporate finance industry is fragmented and that it is not practical to ascertain the market share of our Group and other major players within corporate finance during the Track Record Period. Our Directors noted that our Group accounts for an insignificant share of the overall corporate finance industry in Hong Kong. Further details on the competitive landscape of our Group's corporate finance industry are set out in the paragraphs headed "Business strategies" and "Competition" under the section headed "Business" of this document.

Japan real estate market

The property market in Japan although capital intensive in nature, is not subject to any restriction in terms of ownership. Individual or corporation, be it domestic or foreign, may invest in Japanese real estate. With regards to the existing Japan property investment industry, our Directors believe the Japan real estate market is active and our Group and its competitors compete primarily on price and speed. In times of high activity, when the pace of the market is quick, expedient decision-making and strong knowledge of the market is required. In this regard, our Directors believe that it is also important to have good relationships with a network of sellers and property agents so that potential deals are referred in a timely manner, in order to be ahead or at least in line with competing bidders or sellers.

Given that (i) real estate property is a generic asset class with a diverse range of supply with potential investors who widely differ in terms of their investment strategy, preference, strength of financial backing; (ii) there is no restriction on foreign ownership of real estate property in Japan; and (iii) the scale of our investment portfolio (which accounts for an insignificant share of the overall Japanese real estate market), it is not practicable nor meaningful to ascertain the market share of our Group and other major players within the Japan real estate market during the Track Record Period.

REGULATORY OVERVIEW

This section summarises the principal laws and regulations of Hong Kong and Japan which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong and Japan laws which are relevant to our business.

A. REGULATIONS WITH REGARDS TO OUR REGULATED ACTIVITIES IN HONG KONG

SECURITIES AND FUTURES COMMISSION

Regulation of securities and futures market

The SFC, established in 1989, is an independent statutory body governed by the SFO, setting out its powers, roles and responsibilities. The regulatory objectives of the SFC as set out in the SFO are as follows:

- (i) to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- (ii) to promote understanding by the public of financial services including the operation and functioning of the securities and futures industry;
- (iii) to provide protection for members of the public investing in or holding financial products;
- (iv) to minimise crime and misconduct in the securities and futures industry;
- (v) to reduce systemic risks in the securities and futures industry; and
- (vi) to assist the Financial Secretary of Hong Kong in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industry.

The SFC regulates, among others, licensed corporations and individuals carrying on Type 1 to Type 10 regulated activities under the SFO, investment products offered to the public, listed companies, HKEx, approved share registrars and all participants in trading activities.

Licensing regime

The SFC operates a system whereby they authorise corporations and individuals (through licences) to act as financial intermediaries. Under the SFO, a corporation which is not an authorised financial institution (means an authorised institution as defined in section 2(1) of the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) and is:

- (i) carrying on a business in a regulated activity (or holding out as carrying on a regulated activity); or

REGULATORY OVERVIEW

- (ii) actively marketing, whether in Hong Kong or from a place outside Hong Kong, to the public any services it provides, which would constitute a regulated activity if provided in Hong Kong,

must be licensed by the SFC to carry out the regulated activities, unless one of the exemptions under the SFO applies.

Through licensing, the SFC regulates the financial intermediaries of licensed corporations and individuals that are carrying out the following regulated activities:

Type 1:	Dealing in securities
Type 2:	Dealing in futures contracts
Type 3:	Leveraged foreign exchange trading
Type 4:	Advising on securities
Type 5:	Advising on futures contracts
Type 6:	Advising on corporate finance
Type 7:	Providing automated trading services
Type 8:	Securities margin financing
Type 9:	Asset management
Type 10:	Providing credit rating services

RESPONSIBLE OFFICERS

Each licensed corporation must appoint at least two responsible officers to directly supervise the conduct of each type of regulated activities and must have at least one responsible officer available at all times to supervise the business of such regulated activity. The same individual may be appointed to be a responsible officer for more than one regulated activity provided that he is fit and proper to be appointed so with no conflict in the roles assumed. At least one of the responsible officers must be an executive director as defined under the SFO. All executive directors must seek the SFC's approval as responsible officers accredited to the licensed corporation.

Qualification and experience

An applicant who intends to apply to be a responsible officer must demonstrate that he fulfills the requirements relating to both competence and sufficient authority to supervise the business of regulated activity within the licensed corporation. He should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's regulated activities. Accordingly, he has to fulfill certain requirements relating to academic and industry qualification, industry experience, management experience and regulatory knowledge as required by the SFC.

LICENSED REPRESENTATIVE

An individual is required to be a licensed representative if he/she performs a regulated function for his/her principal which is a licensed corporation in relation to a regulated activity carried on as a business or he holds himself out as performing such function.

REGULATORY OVERVIEW

Qualification and experience

An applicant who intends to apply to be a licensed representative must demonstrate his competence required under the SFO and establish his requisite basic understanding of the market in which he is to work as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant's competence, the SFC will consider the applicant's academic and industry qualifications as well as regulatory knowledge.

FIT AND PROPER

Persons applying for licences and registrations under the SFO, including the licensed representatives and the responsible officers, must be, and continue to be after the grant of such licences, fit and proper persons to be so licensed or registered.

Section 129(1) of the SFO provides that, in considering whether a person is fit and proper for the purposes of licensing and registration, the SFC shall, in addition to any other matters that the SFC may consider relevant, have regard to the following:

- (i) the financial status or solvency;
- (ii) the educational or other qualifications or experience having regard to the nature of the functions which, if the application is allowed, the person will perform;
- (iii) the ability to carry on the regulated activity competently, honestly and fairly; and
- (iv) the reputation, character, reliability and financial integrity of the applicant.

The above matters must be considered in respect of the person (if an individual), the corporation and any of its officers (if a corporation) or the institution, its directors, chief executive, managers and executive officers (if an authorised financial institution).

Furthermore, section 129(2) of the SFO empowers the SFC to consider any of the following matters in considering whether a person is fit and proper:

- (i) decisions made by such relevant authorities as stated in section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, which, in the opinion of the SFC, performs a function similar to the functions of the SFC, in respect of that person;
- (ii) in the case of a corporation, any information relating to:
 - (a) any other corporation within the group of companies; or
 - (b) any substantial shareholder or officer of the corporation or of any of its group companies;

REGULATORY OVERVIEW

- (iii) in the case of a corporation licensed under section 116 or section 117 of the SFO or registered under section 119 of the SFO or an application for such licence or registration:
 - (a) any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and
 - (b) whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;
- (iv) in the case of a corporation licensed under section 116 or section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
- (v) the state of affairs of any other business which the person carries on or proposes to carry on.

The SFC is obliged to refuse an application if the applicant fails to satisfy the SFC that he is a fit and proper person to be licensed. The onus is on the applicant to make out a case that he is fit and proper to be licensed for the regulated activity. In relation to an application to be registered under section 119 of the SFO by an authorised financial institution, the SFC is also obliged to have regard to the advice given to it by the Hong Kong Monetary Authority as to whether it has been satisfied that the applicant is a fit and proper person and the SFC may rely on such advice wholly or partly.

MINIMUM CAPITAL REQUIREMENTS

Depending on the type of regulated activity, licensed corporations have to maintain at all times paid-up share capital and liquid capital not less than the specified amount according to the FRR. The FRR sets out the computation of a number of variables in respect of all the liquid assets (the values of which are subject to adjustments to cater for factors such as illiquidity and credit risks as prescribed under Division 3 of Part 4 of the FRR) and ranking liabilities (being the sum of the liabilities on the balance sheet after adjustments to cater for factors such as market risks and contingency as prescribed under Division 4 of Part 4 of the FRR) of a licensed corporation and its liquid assets must exceed its ranking liabilities. If a licensed corporation conducts more than one type of regulated activity, the minimum paid-up share capital and liquid capital that it must maintain shall be the higher or the highest amount required amongst those regulated activities.

REGULATORY OVERVIEW

Minimum paid-up share capital requirement

The following table summarises the minimum paid-up capital that a licensed corporation is required to maintain for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities:

Regulated activity	Minimum paid-up share capital
Type 1: Dealing in securities	
(i) in the case where the corporation provides securities margin financing	HK\$10,000,000
(ii) in any other case	HK\$5,000,000
Type 4: Advising on securities	HK\$5,000,000
Type 6: Advising on corporate finance	
(i) in the case where the licensed corporation in question is not subject to the no sponsor work licensing condition	HK\$10,000,000
(ii) in any other case	HK\$5,000,000
Type 9: Asset management	HK\$5,000,000

Altus Capital, being a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) (including sponsor work) and Type 9 (asset management) regulated activities under the SFO, and Altus Investments, being a corporation licensed to carry on Type 1 (dealing in securities) regulated activities under the SFO but does not provide securities margin financing, are required to have a minimum paid-up share capital of HK\$10.0 million and HK\$5.0 million respectively.

REGULATORY OVERVIEW

Minimum liquid capital

The following table summarises the minimum paid-up capital and minimum liquid capital that a licensed corporation is required to maintain for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities:

Regulated activity	Minimum amount of required liquid capital
Type 1: Dealing in securities	
(i) in the case where the licensed corporation in question is an approved introducing agent or trader	HK\$500,000
(ii) in any other case	HK\$3,000,000
Type 4: Advising on securities	
(i) in the case where the licensed corporation in question is subject to the specified licensing condition (Note)	HK\$100,000
(ii) in any other case	HK\$3,000,000
Type 6: Advising on corporate finance	
(i) in the case where the licensed corporation in question is subject to the specified licensing condition (Note)	HK\$100,000
(ii) in any other case	HK\$3,000,000
Type 9: Asset management	
(i) in the case where the licensed corporation in question is subject to the specified licensing condition (Note)	HK\$100,000
(ii) in any other case	HK\$3,000,000

Note: The condition is that the licensed corporation shall not hold client assets.

REGULATORY OVERVIEW

Pursuant to the FRR, a licensed corporation shall maintain a minimum liquid capital at all times of an amount which is the higher of (a) the amount set out in the table above; and (b) 5.0% of the aggregate of the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the SFO.

Pursuant to the FRR, Altus Capital and Altus Investments shall also maintain at all times a minimum liquid capital of HK\$100,000 and HK\$3.0 million respectively. As Altus Capital does not hold client's assets while conducting its financial services in relation to any Type 6 (advising on corporate finance) regulated activity, Altus Capital's minimum amount of required liquid capital, under the specified licensing condition pursuant to the FRR, is HK\$100,000.

Our Directors confirm that both Altus Capital and Altus Investments have at all times complied with each of the above continuing compliance obligations, including FRR and SFC licensing requirements, during the Track Record Period and up to the Latest Practicable Date.

REGULATORY REQUIREMENTS

Sponsors regime

A sponsor is a licensed corporation or registered institution licensed or registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor in respect of an application for the listing of any securities on a recognised stock market under the Listing Rules or the GEM Listing Rules.

Under the new sponsor regime effective since October 2013, intermediaries are required to satisfy the criteria set out in the "Additional Fit and Proper Guidelines for Corporations and Authorised Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers" published by the SFC in order to become eligible to act as sponsors and/or compliance advisers, in addition to compliance with all other relevant codes, guidelines and regulations prescribed by the SFC, such as the Code of Conduct and the Corporate Finance Adviser Code of Conduct.

A compliance adviser is a licensed corporation or registered institution licensed or registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, and permitted under its licence or certificate of registration to undertake work as a sponsor appointed to act as a compliance adviser under the Listing Rules or the GEM Listing Rules. The main role of a compliance adviser is to ensure that the listed company is properly guided and advised as to compliance with the Listing Rules or the GEM Listing Rules. Pursuant to the relevant licence of Altus Capital for Type 6 (advising on corporate finance) regulated activity, it is licensed to act as sponsor in respect of an application for the listing on a recognised stock market under SFO or as compliance adviser.

A sponsor must ensure that there are sufficient principals engaged in a full time capacity to discharge its role in overseeing the transaction team with at least two principals who have satisfied the eligibility criteria set out in the guidelines of SFC at all times.

REGULATORY OVERVIEW

CONTINUING COMPLIANCE OBLIGATIONS

Remaining fit and proper

Licensed corporations, licensed persons and registered institutions must remain fit and proper at all times and comply with all applicable provisions of the SFO and its subsidiary legislation as well as the codes and guidelines issued by the SFC.

Submission of audited accounts

A licensed corporation must submit its audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong). Such rules prescribe the contents of the annual accounts and the auditor's report of such accounts to be submitted by licensed corporations to the SFC. Licensed corporations and associated entities of intermediaries (except for those which are authorised financial institutions) are required to submit their audited accounts and other required documents within four months after the end of each financial year as required under section 156(1) of the SFO.

Submission of financial resources returns

Licensed corporations are required to submit monthly financial resources returns to the SFC except for those licensed corporations for only Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 9 (asset management) and/or Type 10 (providing credit rating services) regulated activities and their licences are subject to the condition that they shall not hold client assets. In the latter case, the licensed corporations concerned shall submit semi-annual financial resources returns to the SFC as required under section 56 of the FRR.

Record keeping requirements

A licensed corporation must keep records in accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong), which requires licensed corporations to keep proper records, it prescribes the records that are to be kept by licensed corporations to ensure that they maintain comprehensive records in sufficient detail relating to their businesses and client transactions for proper accounting of their business operations and clients' assets.

Maintenance of insurance

A licensed corporation must maintain insurance against specific risks for specific amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong).

REGULATORY OVERVIEW

Payment of annual fees

Under Section 138(2) of the SFO, a licensed corporation, a licensed person and a registered institution shall pay to the SFC annual fees within one month after each anniversary of the date of grant of the licence or certificate of registration (as the case may be), or on such other date as may be approved by the SFC by notice in writing. Details of the annual fees applicable to the four types of the regulated activities engaged by our Group are as follows:

Type of intermediary	Annual fees for Types 1, 4, 6 and 9 regulated activities
Licensed corporation	HK\$4,740 per regulated activity
Licensed representative (not approved as responsible officer)	HK\$1,790 per regulated activity
Licensed representative (approved as responsible officer)	HK\$4,740 per regulated activity

On 24 March 2016, the SFC issued a circular waiving the annual licensing fee for all licensed corporations, responsible officers and licensed representatives from 1 April 2016 to 31 March 2018.

Notification to the SFC of certain changes and events

A licensed corporation must notify the SFC of certain changes and events, in accordance with the requirements under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong). Such changes and events which require notification include, among others, changes in the basic information of the licensed corporation, its controlling persons and responsible officers, or subsidiaries that carry out a business in a regulated activity, changes in the capital and shareholding structure of the licensed corporation, and significant changes in business plan.

Continuous professional training

According to the Guidelines on Continuous Professional Training published by the SFC, a licensed corporation is held primarily responsible for designing and implementing a continuous education system best suited to the training needs of the individuals they engage which will enhance their industry knowledge, skills and professionalism. A licensed corporation should at least annually evaluate the training needs of the individuals they engage. A licensed individual must undertake a minimum of five continuous professional training hours per calendar year for each regulated activity he engages in.

REGULATORY OVERVIEW

Obligation for substantial shareholders

Under Section 132 of the SFO, a person (including a corporation) has to apply for SFC's approval prior to becoming or continuing to be, as the case may be, a substantial shareholder of a corporation licensed under Section 116 of the SFO. A person who has become aware that he has become a substantial shareholder of a licensed corporation without SFC's prior approval should, as soon as reasonably practicable and in any event within three business days after he becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

Variation of regulated activity specified in licence or certificate of registration

Under Section 127(1) of the SFO, a licensed corporation may apply in the prescribed manner and payment of the prescribed fee to the SFC to vary the regulated activity specified in its licence or certificate of registration.

Prior approval would also need to be obtained from the SFC in cases such as addition or reduction of regulated activity, modification or waiver of licensing conditions and change of financial year end.

Modification or waiver of licensing requirements

Under the licensing requirements, a licensed corporation may apply in the prescribed manner and payment of the prescribed fee to the SFC for modification or waiver of the conditions imposed or certain other requirements specified in Section 134 of the SFO.

Employee dealings

As mentioned in the Code of Conduct, a registered person should have a policy which has been communicated to employees (including directors other than non-executive directors) in writing regarding whether employees are permitted to deal for their own accounts in securities. In the event that employees of a registered person are permitted to deal for their own accounts in securities:

- (a) the written policy should specify the conditions on which employees may deal for their own accounts;
- (b) employees should be required to identify all related accounts (including accounts of their minor children and accounts in which the employees hold beneficial interests) and report them to senior management;
- (c) employees should generally be required to deal through the registered person or its affiliates;

REGULATORY OVERVIEW

- (d) if the registered person provides services in securities or futures contracts listed or traded on one of the Hong Kong exchanges or in derivatives, including over-the-counter derivatives written over such securities, and its employees are permitted to deal through another dealer, in those securities, the registered person and employee should arrange for duplicate trade confirmations and statements of account to be provided to senior management of the registered person;
- (e) any transactions for employees' accounts and related accounts should be separately recorded and clearly identified in the records of the registered person; and
- (f) transactions of employees' accounts and related accounts should be reported to and actively monitored by senior management of the registered person who should not have any beneficial or other interest in the transactions and who should maintain procedures to detect irregularities and ensure that the handling by the registered person of these transactions or orders is not prejudicial to the interests of the registered person's other customers.

A registered person should not knowingly deal in securities or futures contracts for another registered person's employee unless it has received written consent from that registered person.

HONG KONG EXCHANGES AND CLEARING LIMITED

Apart from the SFC, HKEx also plays a leading role in regulating companies seeking admission to the Hong Kong stock markets and supervising those companies once they are listed.

HKEx is a recognised exchange controller under the SFO. It owns and operates the only securities and futures exchanges in Hong Kong, namely the Stock Exchange and the Hong Kong Futures Exchange Limited, and their related clearing houses. The duty of HKEx is to ensure orderly and fair markets and that risks are managed prudently, consistent with the public interests and in particular, the interests of the investing public.

In its role as the operator and frontline regulator of the central securities and derivatives marketplace in Hong Kong, HKEx regulates listed issuers; administers listing, trading and clearing rules; and provides services, primarily at the wholesale level, to customers of the exchanges and clearing houses, including issuers and intermediaries – investment banks or sponsors, securities and derivatives brokers, custodian banks and information vendors – who serve the investors directly. These services comprise trading, clearing and settlement, depository and nominee services, and information services.

REGULATORY OVERVIEW

B. REGULATIONS WITH REGARDS TO OUR PROPERTY INVESTMENT ACTIVITIES IN JAPAN AND HONG KONG

JAPAN

Key features of Japan real estate law

The main legislations in relation to property in Japan are as follows:

Laws relating to real estate

Civil Code
Land and Building Lease Law
Act on Building Unit Ownership
Real Property Registration Act
Building Standards Act
City Planning Act
Fire Service Act

Laws relating to real estate investments

Financial Instruments and Exchange Act
Real Estate Specified Joint Venture Law
Act on Investment Trusts

Property tenure and ownership

Real estate in Japan consists of land and fixtures affixed to land (such as buildings). Land and buildings are treated separately with respect to the tenure and/or ownership. Accordingly, the parcel of land and the building affixed to it may have different owners. Set out below is a summary of the different types of tenure with respect to real estate in Japan:

Ownership

Ownership (shoyuken) is a right to freely use (also known as “freehold”), obtain profit from, and dispose of the relevant property for an indefinite period, subject to certain restrictions, for instance, on its use for city planning purposes. This is different to that of Hong Kong where the government owns the land and private citizens only have the right of land use. Ownership in land extends to above and below the surface of the land, subject to restrictions prescribed by laws and regulations. An acquisition of, disposal of, or change to the ownership of real estate may not be asserted by third parties unless they are registered in the real estate register. Please refer to the paragraph headed “Documents of title” below in this section for further details.

Leasehold

Leasehold (chinshakuken) is a right to occupy and use the relevant property under a contract directly or indirectly entered into with the owner of such property. A leasehold interest can be registered in the real estate register, but in the case of a leasehold of land for the purpose of owning a building thereon, it is normal practice that instead of the registration of the leasehold, a lessee of the land registers the building on the land to perfect its leasehold interest

REGULATORY OVERVIEW

under the Land and Building Lease Law. Although the terms and conditions of a lease can be set out in an agreement between the lessor and the lessee, they are subject to various mandatory provisions under the Land and Building Lease Law and certain court precedents that are intended to protect the lessee. These include provisions relating to the term, renewal and termination of the lease that prevail over the agreement between the lessor and the lessee.

Trust beneficiary interest

Under a trust beneficiary interest (shintaku juekiken), the relevant real estate is transferred to a trust bank or a trust company as trustee, who becomes the registered owner of such real estate and holds the real estate on trust for beneficiaries of the trust. Trust beneficiary interests can be freely transferred, subject to contractual restrictions.

Security interest

A security interest (tanpoken) is a right created to secure the performance of an obligation, including a mortgage and a pledge. A mortgage on a property or building is governed by the Civil Code of Japan, and a mortgagor may execute a mortgage if a debtor defaults on his repayment of the loan. Mortgage registration operates in a manner similar to other real estate interests in that the mortgage must be reflected on the real estate register maintained by the local Legal Affairs Bureau as a registered mortgage in order for the security interest to be asserted against third parties.

Documents of title

Title to real estate in Japan, whether it is a title to the land, a building, or a unit interest in a condominium, is evidenced by registration with the real estate register maintained by the regional Legal Affairs Bureau, subordinate to the Ministry of Justice. The register is publicly available for inspection, and includes the aforementioned interests in land. Registration is not the conclusive evidence of entitlement, nor is it compulsory to possess and occupy the land, but registration is required to perfect title to the real estate against third parties.

For each parcel of real estate, the public register sets out a description of the property and its ownership, including the name of the owner, the date acquired, cause of acquisition and information on previous owners. If any attachment or injunction has been issued regarding a parcel of real estate, such information is also recorded.

Transfer of ownership in real estate properties becomes legally binding upon the valid acceptance of an offer for sale. Unless otherwise agreed, the sale is legally binding upon execution of the sale contract. While registration is not a condition to transfer of title, registration is required to perfect the transfer.

REGULATORY OVERVIEW

Foreign property ownership

There is currently no restriction on the purchase of real estate in Japan by foreign investors with regards to the investment structure (i.e. directly as an individual, via an entity or a special purpose vehicle) or type (i.e. residential, commercial or retail). A foreign investor who purchases real estate in Japan shall submit a report to the Minister of Finance within 20 days of such purchase under the Foreign Exchange and Foreign Trade Act, unless such purchase falls under exemptions.

Leasing of properties

Japanese rental housing is governed in general by the Civil Code of Japan. Furthermore, the Land and Building Lease Law provides certain rules to protect lessees. There are two types of leases under these rules:

Standard building lease (futsu shakuya 普通樓宇租約)

The standard building lease contains no restriction as to the minimum lease term, but any lease term of less than one year is deemed to have been entered into for an indefinite term. The most important aspect of a standard building lease is that it is automatically renewed, or deemed renewed on continuous use following expiry automatically, unless the landlord objects in a timely manner and is able to show “justifiable reason” for non-renewal. The existence of “justifiable reason” is determined by considering a combination of factors relating to the specific characteristics of each lease and its history, on a case-by-case basis. As a result, in the event that the tenant does not agree to an increase in rent or other revisions in the terms and conditions of the lease, the landlord is unable to terminate the lease unilaterally and the lease will have to continue based on the existing terms and conditions unless the landlord has justifiable reasons for terminating the lease. In the event that the amount of rent becomes unreasonable in view of the surrounding circumstances, the landlord or the tenants may request the Japanese courts to adjust the rent. This adjustment of rent does not provide a right to terminate the lease. Such an arrangement restricts the ability of the landlord to amend the terms of the lease or terminate the lease in the event an agreement is not reached.

Fixed-term building lease (teiki shakuya 定期樓宇租約)

A fixed-term lease is a relatively new type of lease (enacted in 2000) that is distinct in that automatic renewal will not apply if all the following factors are met (i) the lease is in writing, (ii) the lease provides a definite term, (iii) the lease provides that there is no renewal, and (iv) the tenant has received written explanation of non-renewal before executing the lease. The lease subsequently terminates upon notice of termination given at least six months before but no more than one year before the expiry date. If notice is given following such notice period, the lease terminates on the expiry date.

Lease agreements usually prohibit the tenant from assigning the lease or sub-leasing without the consent of the landlord. However, lease agreements usually do not prohibit the change of control of the tenant.

REGULATORY OVERVIEW

During the Track Record Period, our Group had adopted a standard building lease for all leasing agreements entered into with the tenants for our Properties in Japan.

Taxation in relation to property investment in Japan

Taxes on possession and operation of real estate

Fixed asset tax	Fixed asset tax is levied on land, buildings, and tangible business assets. A person, regardless of whether resident or non-resident, who is registered as owner of the fixed asset in the tax register book as of January 1 of each year, is obliged to pay the fixed asset tax. The amount of fixed asset tax is determined depending on the applicable tax rate (usually 1.4%) and the assessed value of the relevant fixed asset.
City planning tax	City planning tax is a surtax on the fixed asset tax, and is usually levied at a rate of 0.3% on land and buildings within city planning zones.
Business office tax	Companies in major cities such as Tokyo and Osaka having facilities exceeding 1,000 square metres in floor space and/or having more than 100 employees are subject to business office taxes. Tax rates are JPY 600 (equivalent to approximately HK\$38.8) per square metre of floor space and 0.25% of the total amount of employee salaries.

Taxes on acquisition and transfer of real estate

Stamp tax	Stamp tax is levied on certain documents such as contracts, bills and share certificates. As a rule, this tax is levied by affixing revenue stamps in the amount equal to the applicable stamp tax. Tax rates vary from JPY 200 (equivalent to approximately HK\$12.9) to JPY 600,000 (equivalent to approximately HK\$38,760).
Registration and licence tax	Registration and licence tax is levied on the registration with respect to real estate, companies etc. Tax rates vary depending on factors, such as the type of the transaction and the value of the relevant real estate.
Real property acquisition tax	A real property acquisition tax is levied on the acquisition of land or buildings at the tax rate of 3% (for land and residential buildings) or 4% (for non-residential buildings) of the assessed value of the relevant land and building by the Japan local government.

REGULATORY OVERVIEW

Capital gains tax For individuals, capital gains from the transfer of land and buildings are subject to capital gains tax (consisting of a national tax component (income) and a local residential tax (residential) component). Capital gains tax is set out below, and shall be calculated separately from income tax on other income.

Holding period of land	Tax rate
Five years or less	Income tax: 30.63% (<i>Note</i>) Residential tax: 9%
Over five years	Income tax: 15.315% (<i>Note</i>) Residential tax: 5%

Note: Including special reconstruction income tax

For corporations, capital gains from the transfer of land and buildings are taxed at the normal combined national and local tax rate of approximately 34%. A surtax (currently suspended until 31 March 2017 and which has been continuously extended over 15 years) is potentially imposed at the tax rate of 10% for properties held for five years or less and 5% for properties held for over five years.

Value added tax and goods and services tax

Transfer or rental/lease of assets, or the provision of services for consideration as a business in Japan by an enterprise, is, except for certain transactions deemed non-taxable, subject to consumption tax. Sale or lease of land and lease of residential buildings are deemed non-taxable. The consumption tax rate is currently 8% (a national consumption tax rate of 6.3% and a local consumption tax rate of 1.7%). The consumption tax rate is expected to be increased to 10% (a national consumption tax rate of 7.8% and a local consumption tax rate of 2.2%) from 1 October 2019.

Tax deduction as a result of depreciation

Depreciation for a building can be deducted as a necessary expense from the amount of income from real estate for Japanese tax purposes. The amount of the deduction depends on the useful life of the property concerned and the depreciation calculation methodology used. The length of the useful life of a building depends on the physical construction of the property. Cost of land cannot be depreciated.

REGULATORY OVERVIEW

Corporate taxation

Income generated by activities of a corporation is subject to corporate tax (national tax), local corporate tax (nominal tax), corporate inhabitant tax (local tax), corporate enterprise tax (local tax) and special local corporate tax (local tax, expected to be abolished from the fiscal years beginning on or after 1 April 2017). Every Japanese company, regardless of domestic or foreign ownership, is treated as a Japanese resident and is liable to pay corporate taxes in Japan on its total income, whether earned in Japan or overseas. A foreign company that has a permanent establishment (including a branch office) in Japan will be charged corporate taxes on all revenue earned in Japan.

The corporate tax rate is currently 23.4% (23.2% shall apply for the fiscal years beginning on or after 1 April 2018). The corporate inhabitant tax includes a per capita levy that varies depending on the amount of capital and number of employees, and a corporate tax levy that varies depending on the amount of capital.

Corporate enterprise tax rates vary depending on the amount of capital and the amount of annual income.

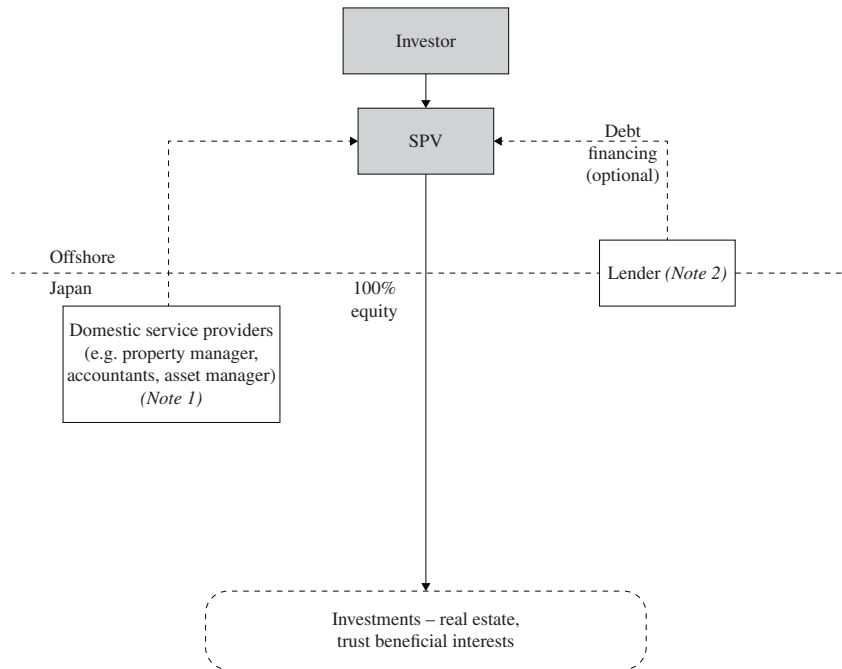
Common Japanese real estate investment structures for foreigners

As aforementioned, there is currently no restriction on the purchase of real estate in Japan by foreign investors with regards to the investment structure. Foreign investors can choose to own the real estate (i) through direct offshore investment structures; (ii) through a TK-based structure; or (iii) through a TMK-based structure. We set out below a summary of the key features for each of such methods respectively.

REGULATORY OVERVIEW

Direct offshore ownership

This is simply the holding of the relevant real estate assets directly from an offshore entity rather than via a Japanese entity. The investor in this case is the owner and returns on the investment are in the form of rental income and profits from the sale of the assets. Set out below is a typical form of direct offshore ownership.



Notes:

1. Asset manager is mandatory for trust beneficial interests in real estate and is optional for non-entrusted assets.
2. In principle, borrowing could be from Japan or offshore. Internal borrowing may also be appropriate as a means of reducing the SPV's Japanese tax liability through interest deductions.

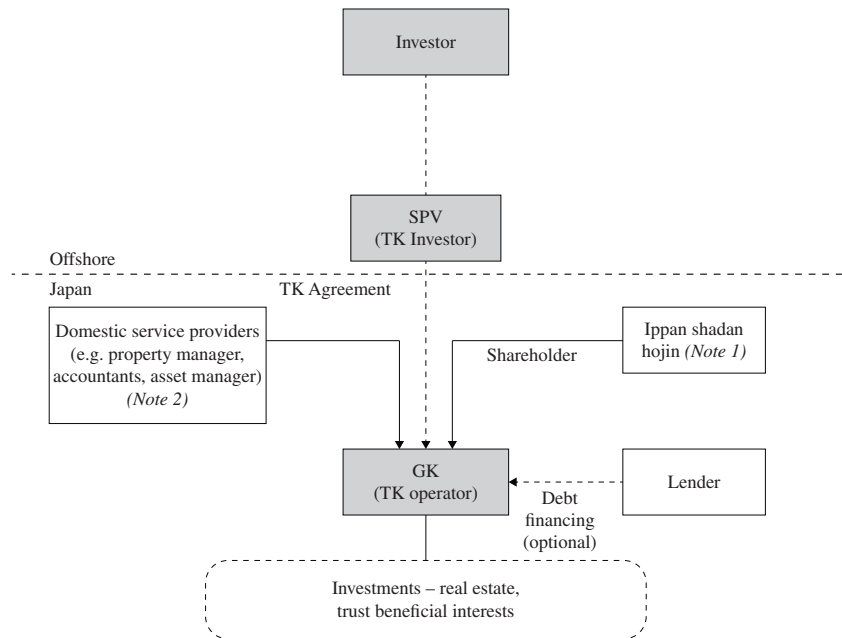
Tax implication

By holding Japanese real estate interest directly, a non-residential investor will be taxed in Japan. General interpretation is that only the national corporation tax, the rate of which is approximately 25%, applies to the relevant income. Although this interpretation is generally adopted in the market there remains a risk that full taxation (i.e. national and local corporate tax) should apply, which would mean the investor was subject to an effective tax rate of approximately 34%.

REGULATORY OVERVIEW

TK arrangement

A TK arrangement is a contractual arrangement defined in the Commercial Code of Japan under which one or more silent investors (our TK investor) makes a contribution of investment monies to a Japanese operating company (the TK operator) (with contribution limited to such aggregate investment amount) in return for entitlement of allocated profit of a specified business conducted by the TK operator (our TK business). Our Group has adopted this structure for our investments in our 14 Properties in Japan. Please refer to the section headed “Our TK Arrangements” of this document for further details. Set out below is a typical form of a TK structure.



Notes:

1. An ippan shadan hojin is a form of “orphan entity” (legal entities without any shareholders) in Japan often used in debt structures, often required by lending bank.
2. Asset manager is mandatory for trust beneficial interests in real estate and, if an investor is an offshore entity, is optional for non-entrusted assets.

Under a TK arrangement, the investment made by our TK investor does not represent equity in the TK operator. The ippan shadan hojin usually is the only member of the TK operator. Furthermore, our TK investor does not participate in the ongoing operation of the TK operator and is intended to take a passive investment role (“Tokumei Kumiai” translates as “anonymous partnership”, and is often referred to as a silent partnership). Accordingly, such structure is suitable for holding investment properties for rental income.

The TK operator should have its own independent stake in our TK business, which is determined on a case-by-case basis in light of the overall circumstances of our TK arrangement.

REGULATORY OVERVIEW

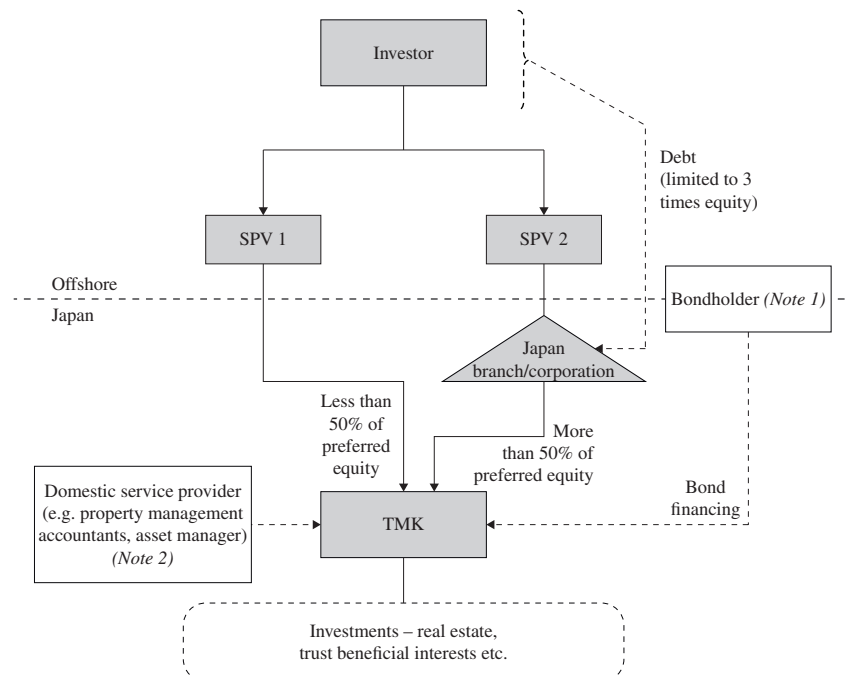
Tax implication

The TK operator is a company taxed at the normal rate at approximately 34% (national and local tax). The TK operator is permitted to deduct the profits allocated to our TK investor before the derivation of TK operator's taxable income, and thereby the tax of the TK operator will be reduced. The tax deduction applies to both rental profits and capital gains on sales. For a TK investor with no permanent establishment in Japan, withholding tax of 20.42% arises at the time of distribution of allocated profits, being the final Japanese tax on such profits. Whilst certain tax treaties entered into by Japan do provide exemptions or reduction from this tax, the Japan-Hong Kong tax treaty does not provide any reduction from this 20.42% withholding tax. Our TK investor can dispose of its investment by selling its TK interest. Any gain therefrom is not subject to Japanese tax where our TK investor has no permanent establishment in Japan.

TMK structure

A TMK (tokutei mokuteki kaisha) is incorporated under the Asset Liquidation Law in Japan. TMK is another type of corporate vehicle used for acquiring real estate-related assets.

Investors will hold the asset backed securities (including bonds and shares) issued by the TMK. The investor will receive returns in the form of dividends but will not be personally liable for the liabilities of the TMK. Set out below is a typical form of a TMK structure.



Notes:

1. Bonds must be issued to certain qualified institutional investors as defined in the tax law.
2. Asset manager is mandatory for both trust beneficial interests in real estate and non-entrusted assets.

REGULATORY OVERVIEW

Tax implication

A TMK is subject to normal corporate tax rates of approximately 34% (national and local) on its taxable profit. It is allowed to take a deduction against taxable income in respect of any dividend distributions which it makes to shareholders. Accordingly, the TMK taxable income is reduced. Tax deductions are the same for both rental income and capital gains.

A shareholder directly holding TMK shares from offshore is only subject to withholding tax on distributions received from the TMK and thus will be exposed to smaller tax burden compared to the normal 34% rate in Japan. Dividends paid directly offshore to SPV 1 are subject to withholding tax at 10% under the Japan-Hong Kong tax treaty. Whilst dividends paid to the Japan branch of SPV 2 are subject to 20.42% withholding tax under domestic law and creditable against the Japan branch's own corporate tax due and refundable if in excess, the Japan branch is subject to approximately 34% tax on dividend income received. 10% withholding tax is then applicable on interest paid by the Japan branch to investors under the Japan-Hong Kong tax treaty (20.42% under domestic law).

The table below sets out the key features for each of the ownership structure.

	Direct offshore ownership	TK structure	TMK structure
Funding requirements	Debt funding and form of borrowing are unrestricted	Debt funding and form of borrowing are unrestricted	Specific requirements for debt funding and form of borrowing resulting in additional costs and administration work
Establishment & costs	Simple structure, low establishment and maintenance costs	Typically lower establishment costs compared to TMK structure	High establishment costs due to legal fees and bond financing required
Cash distribution	Faster turnaround of cash with administrative flexibility in distributing cash compared to TMK structure	Faster turnaround of cash with administrative flexibility in distributing cash compared to TMK structure	Complex procedure for cash repatriation
Deal size	Used for deals of all sizes	Used for deals of all sizes	Tend to be used for deals over US\$50 million
Additional acquisitions	No restriction	No restriction (there may be some tax sensitivity for additional acquisitions under the same TK arrangement)	Certain limitation on the ability to add new investments over time
Regulatory oversight	Less regulated	Less regulated	More regulated with onerous government filings
Participation in operations	No requirement for passive investment	TK investor has contractual interest in the underlying assets and does not participate in the day-to-day operations of the TK operator	No requirement for passive investment

REGULATORY OVERVIEW

	Direct offshore ownership	TK structure	TMK structure
Tax implications for foreign investors/equity holders	Generally only subject to the national corporation tax at approximately 25% on taxable income. However, there remains a risk that full taxation (i.e. national and local corporate tax) at the effective tax rate of approximately 34% would apply	Withholding tax rate at 20.42% on distribution of profit	Competitive tax rate if a company is located in jurisdiction with a favourable tax treaty
Tax implications for onshore entity	Future sale by offshore entity is subject to 10.21% withholding tax on sale proceeds	TK operator subject to corporate income tax on taxable income after deducting the profit allocated to TK investors	TMK subject to corporate income tax after deducting distributed dividends (TMK must satisfy certain requirements)

HONG KONG

Key features of Hong Kong laws relating to real estate

The main legislations in relation to property in Hong Kong include but not limited to Buildings Ordinance, Building Management Ordinance, Conveyancing and Property Ordinance, Government Leases Ordinance, Inland Revenue Ordinance, Land Registration Ordinance, Landlord and Tenant (Consolidation) Ordinance, Stamp Duty Ordinance and Town Planning Ordinance.

Property tenure and ownership

Land rights in Hong Kong are generally provided by way of government lease. A government lease conveys certain rights to occupy, develop and use parcels of land in the territory in return for payment of government rent, and usually contains a few standard restrictions and/or conditions of grant. The terms of government leases vary, with or without the right of renewal. All land in Hong Kong is leasehold land, with the exception of St. John's Cathedral being the only freehold property in Hong Kong.

The Government does not issue separate government leases for each unit in a multi-storey building. As such, in general, a deed of mutual covenant notionally divides the building and the land granted under government lease into a number of equal undivided shares, and each individual unit in the building is allocated a number of undivided shares, which convey the owner thereof the right to the exclusive use and possession of the unit, and the owners of units in such a building own collectively both the land and the building erected thereon. The deed of mutual covenant is binding on all owners of the units in the building and governs their responsibilities for the upkeep and management of the building.

Leasing arrangement

For leasing of property, it is common for the landlord and tenant to enter into an agreement to govern their respective rights and obligations of the lease or tenancy. Apart from commercial terms such as rental rate and term, the lease or tenancy will also be subject to the provisions of the Landlord and Tenant (Consolidation) Ordinance (Chapter 7 of the laws of Hong Kong).

REGULATORY OVERVIEW

Such agreement shall be subject to stamp duty. Also, pursuant to the Land Registration Ordinance (Cap. 128 of the Laws of Hong Kong), instruments affecting land are registrable at the Lands Registry of Hong Kong. The effect of registration is to allow public to have notice of the existence and content of such registered document. The date of registration also affects the priority of a party's rights in a particular property. Such agreement is also an instrument affecting land which could be registered. However, the principle of notice and priority does not apply to bona fide leases at rack rent for any term not exceeding 3 years. Hence, an agreement for a term of more than 3 years should be registered to enjoy priority.

Taxation in relation to property investment in Hong Kong

Taxes on possession of real estate

Government rent

Properties located in the New Territories and New Kowloon north of Boundary Street or those properties located in Hong Kong Island or Kowloon which are held under a land lease granted or extended on or after 27 May 1985 are liable to pay government rent at an annual rate of 3% of the rateable value of the property and are adjusted in step with any subsequent changes in the rateable value.

Rates

Rates on Hong Kong properties are one of Hong Kong's indirect taxes levied on properties and are payable at a certain percentage of the rateable value of the property. For the financial year 2016-2017, the rates payable is 5%. The rateable value of a property is reviewed annually and is an estimate of the annual rental value of the property at a designated valuation reference date, assuming that the property was then vacant and to let.

Property tax

Property tax is levied on owners of property situated in Hong Kong on rental income derived from letting the properties. For financial year 2008/2009 onwards, the property tax rate is 15% on the net assessable value of the property. For property tax purposes, a flat rate of 20% of the assessable value is deductible from gross rental income as a notional allowance for outgoings (regardless of the actual outgoings incurred). Rates that are paid by the owner of the property, as well as irrecoverable rent, are also deductible for calculating the net assessable value.

Taxes in acquisition, transfer and leasing of real estate

Stamp duty

Stamp duty is levied on the sale of property. With an aim to regulate the property market in Hong Kong in recent years, the government has also introduced new ad valorem stamp duty, special stamp duty and buyer's stamp duty.

REGULATORY OVERVIEW

With effect from 23 February 2013, unless specifically exempted or otherwise provided, stamp duty on sale or transfer of immovable property in Hong Kong is chargeable with ad valorem stamp duty at higher rates, which ranges from 1.5% for consideration not exceeding HK\$2,000,000 (the lowest) to 8.5% for consideration exceeding HK\$21,739,130 (the highest). Transactions that took place before 23 February 2013 (but after 1 April 2010) will be subject to the original stamp duty regime, which ranges from a fixed amount of HK\$100 for consideration not exceeding HK\$2,000,000 (the lowest) to 4.25% for consideration exceeding HK\$21,739,120 (the highest).

Stamp duty is also payable on leasing transactions within 30 days after the date of execution, with the rate dependent on the rent payable and lease term under the relevant lease.

Special stamp duty

In addition to the ad valorem stamp duty, 'special stamp duty' is imposed on the disposal of any residential property acquired either by an individual or company (regardless of where it is incorporated) on or after 20 November 2010 and resold within 24 (the property was acquired on or after 20 November 2010 and before 27 October 2012) or 36 months (the property was acquired on or after 27 October 2012) after acquisition.

Special stamp duty is calculated based on the stated consideration for the transaction or the market value of the property, whichever is higher, at the following rates:

If the property was acquired between 20 November 2010 and 26 October 2012:

- 15% if the vendor has held the property for six months or less;
- 10% if the vendor has held the property for more than six months but for 12 months or less;
- 5% if the vendor has held the property for more than 12 months but for 24 months or less.

If the property was acquired on or after 27 October 2012:

- 20% if the vendor has held the property for six months or less;
- 15% if the vendor has held the property for more than six months but for 12 months or less;
- 10% if the vendor has held the property for more than 12 months but for 36 months or less.

Buyer's stamp duty

Buyer's stamp duty of 15% of the market value or stated consideration of the property (whichever is higher) is imposed on top of the ad valorem stamp duty and special stamp duty (where applicable) for the acquisition of any residential property executed on or after 27 October 2012). This is chargeable unless the buyer is a Hong Kong permanent resident or the transaction is subject to an exemption.

REGULATORY OVERVIEW

OUR GROUP’S COMPLIANCE

In relation to the aforesaid compliance obligations (in particular, those relating to our corporate finance business), our Group has adopted various measures as set out in our Group’s internal manuals to ensure compliance with the applicable ordinances, rules, regulations, code of conducts and relevant guidelines as discussed above.

In particular, our Group’s internal manuals also cover registration and notification requirements with the SFC, know-your-client requirements, anti-money laundering measures and compliance and operational procedures in carrying out the regulated activities.

REGULATORY AND SHAREHOLDERS’ APPROVAL REQUIRED FOR REORGANISATION AND [REDACTED]

On 22 March 2016, we have obtained approval from the SFC regarding the change of substantial shareholder in Altus Investments and Altus Capital under the Reorganisation. Such changes need to be completed within 6 months after the grant of the approval or else further approval will need to be obtained from the SFC. Also, we have notified the Registrar of Money Lenders within the prescribed period under the Money Lenders Regulations in relation to the change of shareholder of Altus Capital under the Reorganisation. For details of the Reorganisation, please refer to the section headed “History, Reorganisation and corporate structure” of this document.

For Shareholders’ approval, please refer to the paragraph headed “Written resolutions of our sole Shareholder passed on 26 September 2016” in the section headed “Further information about our Group” in Appendix VI to this document.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY

Our history can be traced back to September 2000 when Mr. Ip, our founder, with his personal and family financial resources, set up Altus Capital in Hong Kong. Please refer to the section headed "Directors, senior management and employees" of this document for details relating to Mr. Ip's background and relevant industry experience. From thenceforth, our activities had developed to encompass corporate finance and property investment. Further details are set forth below.

Corporate finance

Our principal operating subsidiary, Altus Capital was set up to provide advisory services to companies, both public and private, in relation to corporate restructuring; mergers and acquisitions; fund raising through listings/initial public offerings, share placements or other financing methods; and in the case of listed companies, advice to shareholders/minority shareholders, or advice in compliance with relevant regulatory rules in Hong Kong.

As at the Latest Practicable Date, Altus Capital is licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. In particular, Altus Capital is permitted under the abovementioned licence to undertake work as sponsor in respect of an application for the listing of any securities on a recognised stock market under the Listing Rules or the GEM Listing Rules.

Altus Investments, our other principal operating subsidiary, was set up in 2004 with a view to undertake Type 1 (dealing in securities) regulated activity under the SFO relating to corporate finance, the licence of which was obtained since December 2005. For further details relating to our corporate finance activities, please refer to the section headed "Business" of this document.

Property investment

In parallel to the abovementioned corporate finance activities, our Group had sought to broaden our income base and started investing in residential real estate in Japanese regional cities in 2001. Over the years, our Group, with internal resources generated by our corporate finance activities as well as our shareholders' funding and external borrowings, has steadily built up our investment portfolio. Up to the Latest Practicable Date, our investment portfolio substantially consisted of real estate interest in Japan. For further details relating to our property investment activities, please refer to the sections headed "Business" and "Our TK Arrangements" of this document. We set out below further information with regards to our Group's experience in relation to Japanese real estate.

In addition to our own investments in Japan, our Group also garnered experience relating to Japanese real estate through being involved in investment management of Japanese real estate. In the early to mid-2000s, Altus Capital advised private companies on investment in Japan residential real estate. In 2005, our Group further developed such activities together with other business partners, culminating to the establishment of Saizen REIT, a REIT listed on Singapore Stock Exchange Securities Trading Limited in 2007.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Throughout the Track Record Period and up to the Latest Practicable Date, Altus Capital and Altus Investments had remained our Group's principal operating subsidiaries. Our Company was incorporated in the Cayman Islands on 11 November 2015 and, as part of the Reorganisation, became the holding company of our Group. We set out in the table below a summary of our key business milestones since our Group's establishment:

Month/Year	Milestones
Sep 2000	Mr. Ip established our Group by setting up Altus Capital
Dec 2000	Acquired 8th Floor, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong, our Group's former office premises prior to our relocation in 2013
Feb 2001	Altus Capital successfully registered as an investment adviser and dealer under the Securities Ordinance
Sep 2001	Mandarin Entertainment (Holdings) Limited (former stock code: 0009), our first sponsorship, successfully listed on the Main Board of the Stock Exchange
Jan 2002	Invested in our first real estate interest in Sapporo, northern part of Japan
Apr 2003	Following migration under the new licensing regime, Altus Capital obtained licences to carry out Type 1 (dealing in securities) (subsequently released in November 2005 with the view for Altus Investments to carry out Type 1 (dealing in securities) regulated authority), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Oct 2005	Invested in our first real estate interest in Hakodate, northern Japan
Dec 2005	Following Altus Capital being released of its license to carry out Type 1 (dealing in securities) regulated activity under the SFO, Altus Investments obtained its licence to carry out Type 1 (dealing in securities) regulated activity under the SFO
Aug 2010	Invested in our first real estate interest in Kumamoto, southern Japan
Mar 2012	Acquired our Group's current office premises at 21 Wing Wo Street, Central, Hong Kong
Apr 2013	Invested in our first real estate interest in Fukuoka, southern part of Japan
Feb 2015	Invested in our first real estate interest in Tokyo, central Japan

As at the Latest Practicable Date, our Group had established a number of investment holding companies and operating subsidiaries to carry on our business. We set out below a brief corporate history of the establishment and major changes in the shareholdings of our Company's (i) principal operating subsidiaries; (ii) principal investment holding companies (some of which also acted as TK Investors); (iii) TK Operators; and (iv) principal associates.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Principal operating subsidiaries

Altus Capital Limited

Altus Capital was incorporated in Hong Kong on 12 May 2000 as a limited liability company. As at the Latest Practicable Date, Altus Capital was principally engaged in Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

At the time of its incorporation, Altus Capital had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 21 September 2000, (i) each of KHHL and Mr. Ip acquired one share of Altus Capital; and (ii) Altus Capital allotted and issued 98 new shares of HK\$1.00 each as fully paid to KHHL. From 21 September 2000 up until 9 September 2004, other than the one share held by Mr. Ip, KHHL remained the only shareholder of Altus Capital. Since 8 September 2004, Mr. Ip held one share in Altus Capital as trustee of Altus Investments, and on 9 September 2004, KHHL transferred all its shareholding interest (being 9,999,999 shares) in Altus Capital to Altus Investments. Since 9 September 2004, Altus Investments has been beneficially interested in the entire issued share capital of Altus Capital.

As part of the Reorganisation, the abovementioned trust arrangement was terminated and on 30 March 2016, Mr. Ip transferred the one share in Altus Capital to Altus Investments. Please refer to the paragraph headed "Reorganisation" in this section for details.

Altus Investments Limited

Altus Investments was incorporated in Hong Kong on 18 August 2004 as a limited liability company. As at the Latest Practicable Date, Altus Investments was principally engaged in carrying out Type 1 (dealing in securities) regulated activity under the SFO.

At the time of its incorporation, Altus Investments had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 16 September 2005, its authorised share capital was increased to HK\$5,000,000 divided into 5,000,000 shares of HK\$1.00 each, all of which have been allotted and issued and fully paid or credited as fully paid. Since its incorporation and up until the Reorganisation, Altus Investments had been wholly-owned by KHHL.

As part of the Reorganisation, on 30 March 2016, 31 March 2016 and 8 April 2016, Altus Investments allotted and issued one new ordinary share, two new ordinary shares and one new ordinary share respectively to KHHL, credited as fully paid, in connection with the acquisition of beneficial interests in Galaxy Base by Altus Investments, the acquisition of beneficial interests in Smart Tact and Residence by Starich and the transfer of TK Interest in GK Choun by KHHL to Starich. Please refer to the paragraph headed "Reorganisation" in this section for details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 23 September 2016, Altus Investments further allotted and issued 999,996 shares to KHHL to capitalise the shareholder's loan of HK\$27,004,351.65 due from Altus Investments to KHHL and upon completion, 6,000,000 shares of Altus Investments were held by KHHL, representing the entire issued share capital of Altus Investments.

As part of the Reorganisation, on 26 September 2016, Whalehunter acquired from KHHL the entire issued share capital in Altus Investments. Please refer to the paragraph headed "Reorganisation" in this section for details. Since then, Altus Investments has become an indirect wholly-owned subsidiary of our Company.

Principal investment holding companies and TK Investors

Starich Resources Limited

Starich was incorporated in the BVI on 28 February 2000 as a company with limited liability. As at the Latest Practicable Date, Starich was principally engaged in investment holding and acted as our TK Investor for our TK Arrangements with YK Houten, YK Hourei and GK Choun.

At the time of incorporation, Starich had an authorised capital of US\$50,000 comprising 50,000 shares with a par value of US\$1.00 each. Since commencement of the Track Record Period and up to the Reorganisation, Starich had been wholly-owned by Altus Investments.

As part of the Reorganisation, on 24 September 2016, Pleasant Hilltop acquired from Altus Investments the entire issued share capital in Starich. Please refer to the paragraph headed "Reorganisation" in this section for details. Since then, Starich has become an indirect wholly-owned subsidiary of our Company.

EXE Rise Shimodori Investor Limited

EXE was incorporated in the BVI on 27 August 2010 as a company with limited liability, which is authorised to issue a maximum of 50,000 shares with par value of JPY1,000 each. On the same day, 90 shares were issued and allotted to Starich and 10 shares were issued and allotted to Mr. Lo. All 100 shares have been fully paid or credited as fully paid.

As at the Latest Practicable Date, EXE was principally engaged in investment holding and acted as our TK Investor for our TK Arrangement with GK Hayama Shouten, which currently holds one of our Properties in Japan. Further details are set out in the paragraph headed "Godo Kaisha Hayama Shouten" in this section.

Galaxy Base Limited

Galaxy Base was incorporated in Hong Kong on 2 December 2011 as a limited liability company. As at the Latest Practicable Date, Galaxy Base was principally engaged in investment holding and held the property in which our principal place of business in Hong Kong is located.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

At the time of incorporation, Galaxy Base had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 16 December 2011, one share of Galaxy Base was transferred to Altus Investments from an Independent Third Party. On 26 March 2012, 26 and 23 shares were allotted and issued to Altus Investments and KHHL respectively, bringing their respective shareholding interests to 54.0% and 46.0%.

As part of the Reorganisation, on 30 March 2016, Altus Investments entered into a sale and purchase agreement with KHHL for the acquisition of 23 shares in Galaxy Base, representing 46.0% of the entire issued share capital in Galaxy Base. Please refer to the paragraph headed "Reorganisation" in this section for details. Since then, Galaxy Base has been wholly-owned by Altus Investments.

Residence Motoki Investment Limited

Residence was incorporated in the BVI on 28 March 2013 as a company with limited liability, which is authorised to issue a maximum of 50,000 shares with a par value of JPY1,000 each in one single class or series. On the same day, one share was issued and allotted to KHHL.

Residence was incorporated with a view to act as our TK Investor for our TK Arrangement with GK Mameha, which held one of our Properties in Japan as at the Latest Practicable Date. Further details are set out in the paragraph headed "Godo Kaisha Mameha" in this section.

At the time of commencement of the Track Record Period (i.e. 1 April 2014), Residence was owned, directly or indirectly, as to (i) 77.40% by KHHL; (ii) 10.00% by Mr. Shih; (iii) 10.00% by Mr. Lo and Ms. Lilian Shih; (iv) approximately 0.33% by Ms. Leung; (v) approximately 0.33% by Mr. Matsunaga and Ms. Chiho Matsunaga; (vi) approximately 0.33% by Ms. Erika Sera, who is also a director of Residence; (vii) approximately 0.17% by Mr. Chang; (viii) approximately 0.07% by Ms. Aya Okamoto, who is also an alternative director of Residence; and (ix) an aggregate of approximately 1.37% by six Independent Third Parties. On 6 February 2015, approximately 0.17% of the shareholding interests (being 5 shares) in Residence was transferred from an Independent Third Party to KHHL at a consideration of JPY100,000 per share and thereafter, Residence had been owned as to approximately 77.57% by KHHL.

As part of the Reorganisation, on 31 March 2016, Starich acquired from KHHL approximately 77.57% of the entire issued share capital in Residence. Please refer to the paragraph headed "Reorganisation" in this section for details.

Subsequent to the acquisition of approximately 77.57% of the entire issued share capital in Residence by Starich from KHHL, on 26 April 2016, Starich further acquired 10 shares, 2 shares, 10 shares and 12 shares in Residence, representing 0.33%, 0.07%, 0.33% and 0.4% in the entire issued share capital in Residence from each of Win Master Worldwide Limited (ultimately owned by Mr. Matsunaga and Ms. Chiho Matsunaga), Ms. Aya Okamoto, Ms. Erika Sera and two Independent Third Parties respectively at a consideration of JPY100,000 per share. Upon completion of the transfer, an aggregate of 2,361 shares of Residence were held by Starich, representing 78.70% of the entire issued share capital of Residence.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Smart Tact Property Investment Limited

Smart Tact was incorporated in the BVI on 17 April 2013 as a company with limited liability, which is authorised to issue a maximum of 50,000 shares with a par value of HK\$1.00 each in one single class or series, of which 4,049 shares, 461 shares and 100 shares were allotted and issued, fully paid or credited as fully paid, to KHHL, Mr. Shih and Perfect Idea Resources Limited, whose ultimate beneficial owners are Mr. Matsunaga and Ms. Chiho Matsunaga, respectively. Since its incorporation and up to the Reorganisation, Smart Tact had been owned as to approximately 87.83% by KHHL, as to 10.00% by Mr. Shih and as to approximately 2.17% by Perfect Idea Resources Limited.

As part of the Reorganisation, on 31 March 2016, Starich acquired from KHHL 8,098 shares in Smart Tact, representing approximately 87.83% of the entire issued share capital of Smart Tact. Please refer to the paragraph headed “Reorganisation” in this section for details.

Smart Tact was incorporated with a view to act as our TK Investor for our TK Arrangement with GK Bohol, which held four of our Properties in Japan as at the Latest Practicable Date. Further details are set out in the paragraph headed “Godo Kaisha Bohol” in this section.

TK Operators

Yugen Kaisha Houten

YK Houten is an investment holding company and was incorporated in Japan on 4 September 2003 with limited liability, with a registered capital of JPY3,000,000. It was incorporated with a view to act as TK Operator for our TK Arrangement with Starich. YK Houten held five of our Properties in Japan as at the Latest Practicable Date. Please refer to the section headed “Our TK Arrangements” of this document for details regarding our TK Arrangements.

Yugen Kaisha Hourei

YK Hourei is an investment holding company and was incorporated in Japan on 8 September 2005 with limited liability, with a registered capital of JPY3,000,000. It was incorporated with a view to act as TK Operator for our TK Arrangement with Starich. YK Hourei held two of our Properties in Japan as at the Latest Practicable Date. Please refer to the section headed “Our TK Arrangements” of this document for details regarding our TK Arrangements.

Godo Kaisha Bohol

GK Bohol is an investment holding company and was incorporated in Japan on 16 March 2007 with limited liability, with a registered capital of JPY1,000,000. It was incorporated with a view to act as TK Operator for our TK Arrangement with Smart Tact. GK Bohol held four of our Properties in Japan as at the Latest Practicable Date. Please refer to the section headed “Our TK Arrangements” of this document for details regarding our TK Arrangements.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Godo Kaisha Choun

GK Choun is an investment holding company and was incorporated in Japan on 17 May 2007 with limited liability, with a registered capital of JPY10,000. It was incorporated with a view to act as TK Operator for our TK Arrangement with KHHL. GK Choun held one of our Properties in Japan as at the Latest Practicable Date. Please refer to the section headed “Our TK Arrangements” of this document for details regarding our TK Arrangements.

As part of the Reorganisation, on 8 April 2016, KHHL transferred all of its TK Interest in GK Choun to Starich. Please refer to the section headed “Reorganisation” of this document for details regarding our TK Arrangements.

Godo Kaisha Hayama Shouten

GK Hayama Shouten is an investment holding company and was incorporated in Japan on 6 August 2010 with limited liability, with a registered capital of JPY10,000. It was incorporated with a view to act as TK Operator for our TK Arrangement with EXE. GK Hayama Shouten held one of our Properties in Japan. Please refer to the section headed “Our TK Arrangements” of this document for details regarding our TK Arrangements.

Godo Kaisha Mameha

GK Mameha is an investment holding company and was incorporated in Japan on 1 April 2013 with limited liability, with a registered capital of JPY10,000. It was incorporated with a view to act as TK Operator for our TK Arrangement with Residence. GK Mameha held one of our Properties in Japan as at the Latest Practicable Date. Please refer to the section headed “Our TK Arrangements” of this document for details regarding our TK Arrangements.

Principal associates

KK Tenyu Asset Management

KK Tenyu AM was incorporated in Japan on 27 June 2007 with a registered capital of JPY98,000,000. Altus Investments and three other parties hold 40.0% and 60.0% of the entire share capital of KK Tenyu AM respectively.

KK Tenyu AM was incorporated to provide asset management services to foreign owners of residential properties in Japan. During the Track Record Period, it had acted as the asset manager for our Group’s TK Operators. KK Tenyu AM is also the asset manager of Saizen REIT. Please refer to the section headed “Our TK Arrangements” of this document and the paragraph headed “Monitoring of the performance of our Properties” under the section headed “Business” of this document for further details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Japan Residential Assets Manager Limited

JRAM SG was incorporated in Singapore on 5 July 2007 as a public company limited by shares with an issued and paid-up share capital of SGD1,000,000. JRAM SG is wholly-owned by JRAM Cayman, and in turn, Altus Investments and three other parties hold 40.0% and 60.0% of the entire issued and paid-up share capital of JRAM Cayman respectively.

Since November 2007, JRAM SG has been the manager of Saizen REIT, a REIT listed on the Mainboard of the Singapore Stock Exchange Securities Trading Limited in November 2007. Saizen REIT is publicly owned with no controlling shareholders. Neither our Group nor our associate, JRAM SG, owns more than 1.0% of the equity interest of Saizen REIT. In March 2016, Saizen REIT completed the disposal of its entire portfolio of real estate assets and had substantially returned the capital from the disposal to its unitholders. During the period leading up to the disposal of Saizen REIT's underlying portfolio, JRAM SG had received several unsolicited offers. The independent evaluation committee formed by the board of JRAM SG, taking into account that the offer price was at a relatively large premium to the trading prices of the units of Saizen REIT on the Singapore Exchange and the offer could enable unitholders to realise value for their units immediately, decided to put such a proposal forward for unitholders' consideration. Subsequently, the unitholders voted to dispose of the underlying assets of Saizen REIT.

We understand that JRAM SG had intended to commence the dissolution of Saizen REIT upon the expiry of the liability claim period of the aforesaid disposal transaction on or before July 2016, with the existing operations of JRAM SG being progressively wound down upon the dissolution of Saizen REIT. On 15 August 2016, Saizen REIT announced that it had entered into a framework agreement with Sime Darby Property Singapore Limited ("**SDPSL**") and Hastings Deering (Australia) Limited for the proposed acquisition by Saizen REIT of industrial properties in Australia (the "**Proposal**"). The Proposal is subject to further due diligence, with a view to enter into definitive agreements by 30 September 2016. This is expected to create additional value for and enhance the long term interests of Saizen REIT and its unitholders, after having realised value from the disposal of Saizen REIT's assets in March 2016.

In connection with the Proposal, JRAM Cayman has agreed to sell 80% of its interest in JRAM SG to SDPSL (the "**JRAM Sale**"). The acquisition of properties under the Proposal and the JRAM Sale are inter-conditional. Our Group is expected to recognise an investment gain on the JRAM Sale. While JRAM Cayman is expected to retain a 20% interest in JRAM SG, Mr. Ip and Mr. Chang confirm that they will not be involved on the board or in the management of JRAM SG after completion of the JRAM Sale.

I Corporation

I Corporation was incorporated in the BVI on 25 September 2000 as a company with limited liability. At the time of incorporation, I Corporation had an authorised capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.0 each. I Corporation is principally engaged in investment holding.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As part of the Reorganisation, on 31 March 2016, Altus Capital transferred its 80.00% shareholding interests in I Corporation to Altus Investments, who then transferred such shareholding interests to Starich on the same day. Upon the completion of Reorganisation, I Corporation is a non wholly-owned subsidiary of our Company which is owned as to 80.00% by Starich and 20.00% by Ms. Ho. Please refer to the paragraph headed “Reorganisation” in this section for further details.

Japan Special Situation Investment Limited

JSSI was incorporated in the BVI on 28 November 2001 as a company with limited liability, and is authorised to issue 50,000 shares with par value of US\$1.0 each. The principal business of JSSI is property investment. As at the Latest Practicable Date, JSSI was an associate of our Company which is owned as to approximately 27.03% by I Corporation. Our Directors confirm that given that such investments were made in the early days of our Group’s Japan property investment, our Group participated through non-controlling interests.

Nicewell Enterprise Limited

Nicewell was incorporated in the BVI on 16 January 2002 as a company with limited liability. At the time of incorporation, Nicewell had an authorised capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.0 each. Nicewell is principally engaged in investment holding and is the TK Investor for the TK Arrangement with YK Fugen. As at the Latest Practicable Date, Nicewell was an associate of our Group which is owned as to approximately 27.02% by I Corporation. Our Directors confirm that given that such investments were made in the early days of our Group’s Japan property investment, our Group participated through non-controlling interests.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. The Trustee is the trustee of The Hecico 1985 Trust, of which Ms. Chan is the founder and the beneficiaries are Mr. Ip and Ms. Ip and their respective issue(s) that may be born in the future. Ms. Chan is the mother of Mr. Ip and Ms. Ip, and Mr. Ip and Ms. Ip are siblings.
2. Smart Tact was held as to (i) approximately 87.83% by KHHL; (ii) 10.00% by Mr. Shih, a director of a subsidiary of our Company; and (iii) approximately 2.17% by Perfect Idea Resources Limited, whose ultimate beneficial owners are Mr. Matsunaga and Ms. Chiho Matsunaga.
3. Residence was held as to (i) approximately 77.57% by KHHL; (ii) 10.00% by Mr. Shih; (iii) an aggregate of 10.00% by Ardian International Limited and Star Ego Limited, whose ultimate beneficial owners are Mr. Lo, a director of a subsidiary of our Company, and Ms. Lilian Shih; (iv) approximately 0.33% by Win Master Worldwide Limited, whose ultimate beneficial owners are Mr. Matsunaga and Ms. Chiho Matsunaga; (v) approximately 0.33% by Ms. Leung, an executive Director; (vi) approximately 0.33% by Ms. Erika Sera (who is also a director of Residence); (vii) approximately 0.17% by Mr. Chang, an executive Director; (viii) approximately 0.07% by Ms. Aya Okamoto (who is also an alternate director of Residence); (ix) approximately 0.07% by Ms. Lam, Chui Wah Eliza, an Independent Third Party; (x) approximately 0.07% by Ms. Ma, Lai Yee Rebecca, an Independent Third Party; (xi) approximately 0.66% by Mr. Dixon Lo, a former employee of our Group; (xii) approximately 0.33% by Ms. Ikuko Daziron, a former director of Residence who resigned on 7 October 2014 and an employee of KK Tenyu AM; and (xiii) approximately 0.07% by Ms. Chiyo Koga, a former alternate director of Residence who resigned on 7 October 2014.
4. Altus Capital was held as to approximately 99.99% (being 9,999,999 shares) by Altus Investments and approximately 0.01% (being 1 share) by Mr. Ip (an executive Director) as trustee in favour of Altus Investments.
5. AJ Investments was held as to approximately 12.05% by Starich and approximately 87.95% by Mr. Chang, an executive Director.
6. Profit Gain was held as to (i) 9.00% by Starich; (ii) 22.58% by Ardian International Limited, whose ultimate beneficial owner are Mr. Lo and Ms. Lilian Shih; and (iii) an aggregate of 68.42% by two Independent Third Parties.
7. EXE was held as to 90.00% by Starich and 10.00% by Mr. Lo.
8. I Corporation was held as to 80.00% by Altus Capital and as to 20.00% by Ms. Ho, a member of senior management and the spouse of Mr. Ip.
9. Altus Asset Management was held as to (i) approximately 74.55% by Altus Capital; (ii) approximately 0.45% by Mr. Ip, an executive Director; and (iii) an aggregate of 25.00% by two Independent Third Parties.
10. KK Tenyu AM was held as to (i) approximately 40.00% by Altus Investments; (ii) approximately 15.00% by Mr. Lo; (iii) approximately 15.00% by Mr. Matsunaga; and (iv) approximately 30.00% by an Independent Third Party.
11. JRAM Cayman was directly or indirectly held as to approximately 40.00% by Altus Investments, 15.00% by Mr. Lo and Ms. Lilian Shih, 15.00% by Mr. Matsunaga and Ms. Chiho Matsunaga and 30.00% by an Independent Third Party.
12. JRAM HK was held as to 40.00% by Altus Investments, 15.00% by Mr. Lo, 15.00% by Mr. Matsunaga and 30.00% by an Independent Third Party.
13. KK Tenyu Investment Management has been liquidated as of 9 June 2016 pursuant to the laws of Japan and has ceased to be an associate of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

For the purpose of the [REDACTED], the following major Reorganisation steps have been implemented:

(I) Incorporation of holding companies

(a) Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 11 November 2015 as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, our Company issued and allotted one nil paid Share to Sharon Pierson, the initial subscriber, which was subsequently transferred to KHHL at nil consideration on the same date.

(b) Incorporation of Whalehunter and Pleasant Hilltop

Whalehunter was incorporated in the BVI on 30 September 2015 for the purpose of acting as the holding company of our Group's corporate finance business and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 21 December 2015, Whalehunter allotted and issued 1 share to our Company at par.

Pleasant Hilltop was incorporated in the BVI on 8 September 2015 for the purpose of acting as the holding company of our Group's property investment portfolio and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 21 December 2015, Pleasant Hilltop allotted and issued 1 share to our Company at par.

(II) Dissolution or deregistration of non-operating subsidiaries

(a) Dissolution of Greenery Limited

Greenery Limited had no substantive operation other than holding a securities account for Starich, and it shall not form part of our Group upon [REDACTED]. The securities account had been subsequently transferred to Starich. As such, a shareholder's resolution was passed by Altus Capital as the sole shareholder of Greenery Limited for its dissolution, and Greenery Limited was dissolved on 7 October 2015.

(b) Deregistration of Altus Asset Management

Altus Asset Management had no operation since 31 March 2014 and shall not form part of our Group upon [REDACTED]. A shareholders' resolution was passed by shareholders of Altus Asset Management for its deregistration, and Altus Asset Management was dissolved on 28 August 2015.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(c) Deregistration of JRAM HK

JRAM HK had been dormant since 14 April 2014 and shall not form part of our Group upon [REDACTED]. JRAM HK was dissolved by deregistration on 1 April 2016.

(III) Disposal of subsidiaries, interests in associates and investments in certain companies

(a) Disposal of beneficial interests in AJ Investments

Since AJ Investments was set up by Mr. Chang as his family investment vehicle to hold investment properties in Japan, AJ Investments shall not form part of our Group upon [REDACTED]. On 17 June 2015, Starich disposed of its 40 shares of JPY1,000 each in the share capital of AJ Investments, representing approximately 12.05% of the entire issued share capital of AJ Investments, to Mr. Chang for a cash consideration of JPY20,177,720, which was determined with reference to the net asset value of AJ Investments. Such disposal has been properly and legally completed and settled. Upon completion of such disposal, our Group ceased to have any interest in AJ Investments.

(b) Disposal of beneficial interests in Profit Gain

Profit Gain is principally engaged in investments in the business of forestry in Japan through Yugen Kaisha Forest ("YK Forest"), and such business is different from the businesses of our Group. As such, Profit Gain shall not form part of our Group upon [REDACTED]. On 25 November 2015, Starich disposed of its 900 shares of US\$1.00 each in the share capital of Profit Gain, representing approximately 9% of the entire issued share capital of Profit Gain, and its loan to Profit Gain, to KHHL for a total consideration of HK\$1,105,819.41, which was determined based on the investment cost and book value of loan to Profit Gain in the book of Starich as at 30 September 2015, and was fully settled by way of set off against an equal amount of intercompany loan due by Starich to KHHL on the same day. Such disposal had been properly and legally completed and settled. Upon completion of such disposal, our Group ceased to have any interest in Profit Gain.

(IV) Acquisition of interests in subsidiaries and TK Interest

(a) Acquisition of beneficial interests in Smart Tact

Prior to the Reorganisation, Smart Tact was held as to (i) approximately 87.83% by KHHL; (ii) 10.00% by Mr. Shih; and (iii) 2.17% by Perfect Idea Resources Limited, whose ultimate beneficial owners are Mr. Matsunaga and Ms. Chiho Matsunaga. Smart Tact held four of our Properties in Japan through GK Bohol as at the Latest Practicable Date, and shall form part of our Group upon [REDACTED].

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 31 March 2016, Altus Investments, Starich, and KHHL entered into a sale and purchase agreement, pursuant to which Starich acquired from KHHL 8,098 shares in Smart Tact, representing approximately 87.83% of the entire issued share capital of Smart Tact, at a consideration of HK\$23,162,228.93, which was determined with reference to the unaudited net asset value of Smart Tact as at 31 December 2015, and which was satisfied by Altus Investments allotting and issuing 1 new ordinary share, credited as fully paid, to KHHL, and in consideration of Altus Investments allotting and issuing 1 new ordinary share to KHHL, Starich allotted and issued 1 new ordinary share, credited as fully paid, to Altus Investments. Such acquisition has been properly and legally completed and settled.

(b) Acquisition of beneficial interests in Residence

Prior to the Reorganisation, Residence was held, directly or indirectly, as to (i) approximately 77.57% by Starich; (ii) 10.00% by Mr. Shih; (iii) 10.00% by Mr. Lo and Ms. Lilian Shih; (iv) approximately 0.33% by Ms. Leung; (v) approximately 0.33% by Mr. Matsunaga and Ms. Chiho Matsunaga; (vi) approximately 0.33% by Ms. Erika Sera, who is also a director of Residence; (vii) approximately 0.17% by Mr. Chang; (viii) approximately 0.07% by Ms. Aya Okamoto, who is also an alternate director of Residence; and (ix) an aggregate of approximately 1.20% by five Independent Third Parties. Residence holds one of our Properties in Japan through GK Mameha, and shall form part of our Group upon [REDACTED].

On 31 March 2016, Altus Investments, Starich, and KHHL entered into a sale and purchase agreement, pursuant to which Starich acquired from KHHL 2,327 shares in Residence, representing approximately 77.57% of the entire issued share capital of Residence, at a consideration of HK\$15,249,519.23, which was determined with reference to the unaudited net asset value of Residence as at 31 December 2015, and which was satisfied by Altus Investments allotting and issuing 1 new ordinary share, credited as fully paid, to KHHL, and in consideration of Altus Investments allotting and issuing 1 new ordinary share to KHHL, Starich allotted and issued 1 new ordinary share, credited as fully paid, to Altus Investments. Such acquisition has been properly and legally completed and settled.

Subsequent to the acquisition of approximately 77.57% of the entire issued share capital in Residence by Starich from KHHL, on 26 April 2016, Starich further acquired 10 shares, 2 shares, 10 shares and 12 shares in Residence, representing 0.33%, 0.07%, 0.33% and 0.4% in the entire issued share capital in Residence from each of Win Master Worldwide Limited (ultimately owned by Mr. Matsunaga and Ms. Chiho Matsunaga), Ms. Aya Okamoto, Ms. Erika Sera and two Independent Third Parties respectively at a consideration of JPY100,000 per share. Upon completion of the transfer, an aggregate of 2,361 shares of Residence were held by Starich, representing approximately 78.70% in the entire issued share capital of Residence.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(c) Acquisition of beneficial interests in Galaxy Base

Prior to the Reorganisation, Galaxy Base was held as to 54.00% and 46.00% by Altus Investments and KHHL, respectively. Galaxy Base holds the property interest situated at No. 21 Wing Wo Street, Central, Hong Kong, being our principal place of business in Hong Kong, and shall form part of our Group.

On 30 March 2016, Altus Investments and KHHL entered into a sale and purchase agreement, pursuant to which Altus Investments acquired from KHHL 23 shares in Galaxy Base, representing 46.00% of the entire issued share capital of Galaxy Base, at a consideration of HK\$3,283,193.34, which was determined with reference to the unaudited net asset value of Galaxy Base as at 31 December 2015, and which was satisfied by the allotment and issue of one new ordinary share in the share capital of Altus Investments, credited as fully paid, to KHHL. Such acquisition has been properly and legally completed and settled. Since then, Galaxy Base has been wholly-owned by Altus Investments.

(d) Cancellation of the trust arrangement in Altus Capital and the transfer of 1 issued share in Altus Capital from Mr. Ip to Altus Investments

Prior to the Reorganisation, Altus Capital was held as to approximately 99.99% (being 9,999,999 shares) by Altus Investments and as to approximately 0.01% (being one share) by Mr. Ip (an executive Director) as trustee in favour of Altus Investments. As part of the Reorganisation, on 30 March 2016, Altus Capital and Mr. Ip cancelled the aforementioned trust arrangement and Mr. Ip transferred one share in Altus Capital to Altus Investments at nil consideration.

(e) (i) Distribution in specie by Altus Capital of the 80.00% issued share capital in I Corporation to Altus Investments and (ii) acquisition of 80.00% issued share capital in I Corporation by Starich from Altus Investments

Prior to the Reorganisation, I Corporation was held as to 80.00% by Altus Capital and as to 20.00% by Ms. Ho, a member of senior management and the spouse of Mr. Ip. I Corporation holds approximately 27.02% in the entire issued share capital of Nicewell Enterprises Limited which in turn is our TK Investor for our TK Arrangement with Yugen Kaisha Fugen (“**YK Fugen**”), a company incorporated in Japan with limited liability on 10 June 2002, as the TK Operator.

To rationalise the investment holding structure of our Group, the 80.00% shareholding interests in I Corporation held by Altus Capital were ultimately transferred to Starich as part of the Reorganisation. On 31 March 2016, Altus Capital declared dividend in the amount of HK\$11,969,545.67 and such dividend was distributed to Altus Investments in specie and was satisfied by (i) the transfer of 56 shares in the share capital of I Corporation, representing 80.00% of the entire issued share capital of I Corporation, from Altus Capital to Altus Investments and (ii) the transfer of the debt in the amount of HK\$1,013,429.81 due from I Corporation to Altus Capital. Upon completion of such distribution, the 56 shares in I

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporation, representing 80.00% of the entire issued share capital of I Corporation, was held directly by Altus Investments. On the same day, Altus Investments and Starich entered into a sale and purchase agreement, pursuant to which Starich acquired from Altus Investments 56 shares in I Corporation, representing 80.00% of the entire issued share capital of I Corporation, at a consideration of HK\$10,836,221.07, which was determined with reference to the unaudited net asset value of I Corporation as at 31 December 2015, and which was satisfied by the allotment and issue of one new ordinary share in Starich, credited as fully paid, to Altus Investments. Such acquisition has been properly and legally completed and settled.

The remaining 20.00% shareholding interests in I Corporation remain held by Ms. Ho.

(f) Transfer of TK Interest in GK Choun by KHHL to Starich

GK Choun holds one of our Properties in Japan and the TK Interest in GK Choun was transferred from KHHL to our Group as part of the Reorganisation.

On 8 April 2016, KHHL and Starich entered into a deed of assignment and novation, pursuant to which KHHL transferred all of its TK Interest in GK Choun to Starich at a consideration of HK\$71,979,212.65, which was determined with reference to the unaudited net asset value under IFRS as at 31 December 2015, and adjusted for TK investment of, TK distribution payable by GK Choun as at 31 December 2015 and exchange differences, and which was satisfied by Altus Investments by allotting and issuing one new ordinary share, credited as fully paid, to KHHL, and in consideration of Altus Investments allotting and issuing the one new ordinary share to KHHL, Starich allotted and issued one new ordinary share, credited as fully paid, to Altus Investments. Such transfer has been properly and legally completed and settled.

(V) Acquisition of major operating subsidiaries by Whalehunter and Pleasant Hilltop

(a) Acquisition of the entire issued share capital in Starich by Pleasant Hilltop

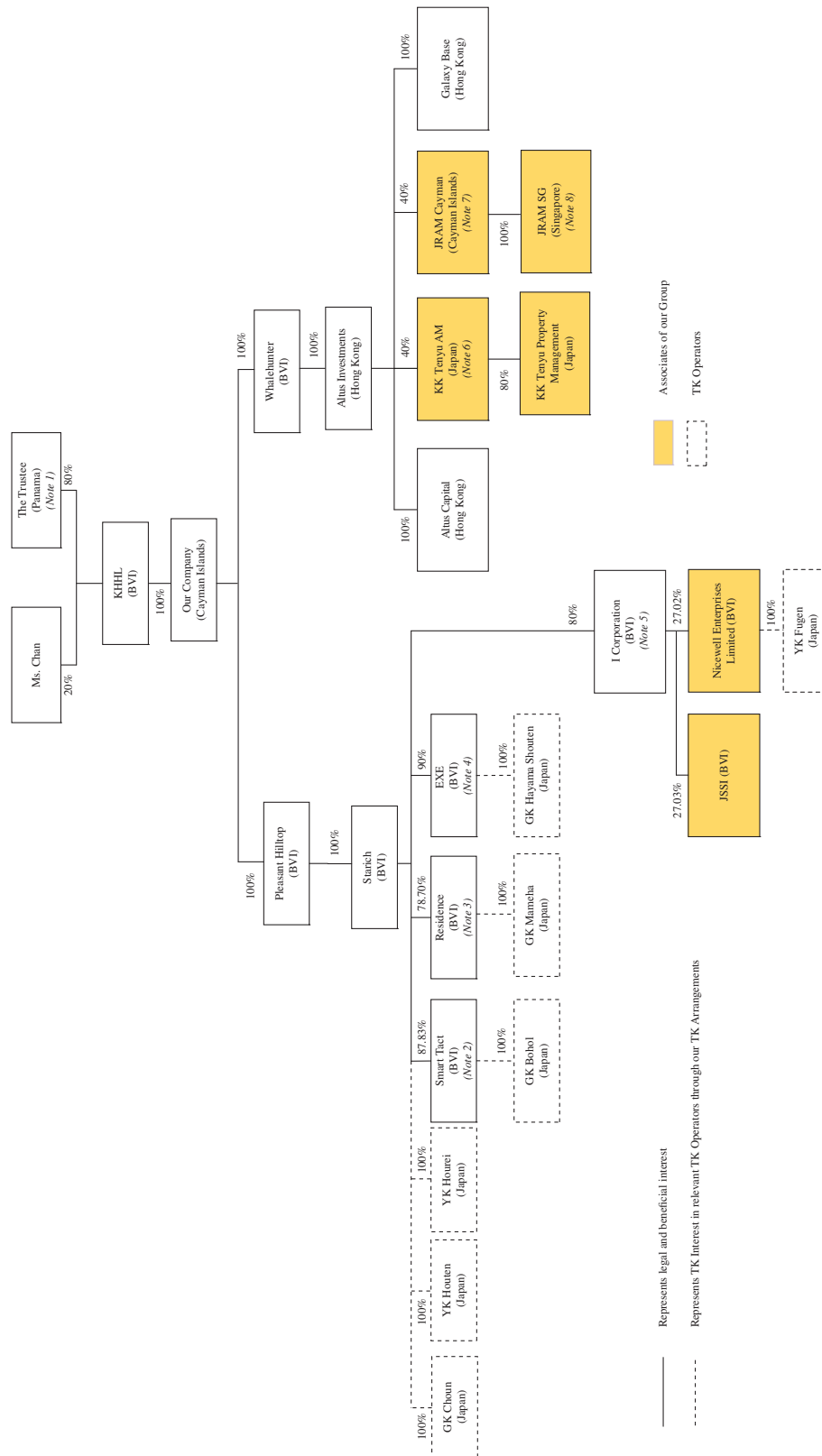
On 24 September 2016, Pleasant Hilltop and Altus Investments entered into a sale and purchase agreement, pursuant to which Pleasant Hilltop acquired the entire issued share capital in Starich from Altus Investments at a consideration of HK\$182,508,678.31, being the net asset value of Starich as at 22 September 2016. Such acquisition has been properly and legally completed and settled.

(b) Acquisition of the entire issued share capital in Altus Investments by Whalehunter

On 26 September 2016, our Company, Whalehunter and KHHL entered into a sale and purchase agreement, pursuant to which Whalehunter acquired the entire issued share capital in Altus Investments from KHHL, in consideration of which our Company credited the one nil paid Share held by KHHL as fully paid, and in consideration of our Company crediting the one nil paid Share held by KHHL, Whalehunter allotted and issued one new ordinary share, credited as fully paid, to our Company. Such acquisition has been properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set out below is the corporate structure of our Group immediately after completion of the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. The Trustee is the trustee of The Hecico 1985 Trust, of which Ms. Chan is the founder and the beneficiaries are Mr. Ip and Ms. Ip and their respective issue(s) that may be born in the future. Ms. Chan is the mother of Mr. Ip and Ms. Ip, and Mr. Ip and Ms. Ip are siblings.
2. Smart Tact is held as to (i) approximately 87.83% by Starich; (ii) 10.00% by Mr. Shih, a director of a subsidiary of our Company; and (iii) approximately 2.17% by Perfect Idea Resources Limited, whose ultimate beneficial owners are Mr. Matsunaga and Ms. Chiho Matsunaga.
3. Residence is held as to (i) 78.70% by Starich; (ii) 10.00% by Mr. Shih; (iii) an aggregate of 10.00% by Ardian International Limited and Star Ego Limited, whose ultimate beneficial owners are Mr. Lo, a director of a subsidiary of our Company, and Ms. Lilian Shih; (iv) approximately 0.33% by Ms. Leung, an executive Director; (v) approximately 0.17% by Mr. Chang, an executive Director; (vi) approximately 0.07% by Ms. Lam, Chui Wah Eliza, an Independent Third Party; (vii) approximately 0.07% by Ms. Ma, Lai Yee Rebecca, an Independent Third Party; and (viii) approximately 0.66% by Mr. Dixon Lo, a former employee of our Group.
4. EXE is held as to 90.00% by Starich and 10.00% by Mr. Lo.
5. I Corporation is held as to 80.00% by Starich and 20.00% by Ms. Ho, a member of senior management and the spouse of Mr. Ip.
6. KK Tenyu AM is held as to (i) approximately 40.00% by Altus Investments; (ii) approximately 15.00% by Mr. Lo; (iii) approximately 15.00% by Mr. Matsunaga; and (iv) approximately 30.00% by an Independent Third Party.
7. JRAM Cayman is directly or indirectly held as to 40.00% by Altus Investments, 15.00% by Mr. Lo and Ms. Lilian Shih, 15.00% by Mr. Matsunaga and Ms. Chiho Matsunaga and 30.00% by an Independent Third Party.
8. JRAM SG is expected to cease to be an associate of our Group upon completion of the Proposal (as defined in the paragraph headed "History" in this section).

(VI) CAPITALISATION ISSUE

On 26 September 2016, our sole Shareholder resolved that, conditional upon the share premium account of our Company being credited with the [REDACTED] from the allotment and issue of the [REDACTED] by our Company as a result of the [REDACTED], HK\$[REDACTED] will be capitalised from the share premium account and applied in paying up in full at par [REDACTED] Shares to be allotted and issued to KHHL before [REDACTED]. After the Capitalisation Issue and the [REDACTED], KHHL will own [REDACTED] Shares in aggregate, representing [REDACTED]% of the issued share capital of our Company as enlarged by the Capitalisation Issue and the [REDACTED].

As at the date of this document, with the exception of the Capitalisation Issue, which will take place on the [REDACTED], all steps of our Reorganisation have been properly and legally completed and settled. Save for the change in shareholders of Altus Investments and Altus Capital as licensed corporations requires the approvals from the SFC (which have been obtained on 22 March 2016), no approval is required from the relevant regulatory authorities.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. The Trustee is the trustee of The Hecico 1985 Trust, of which Ms. Chan is the founder and the beneficiaries are Mr. Ip and Ms. Ip and their respective issue(s) that may be born in the future. Ms. Chan is the mother of Mr. Ip and Ms. Ip, and Mr. Ip and Ms. Ip are siblings.
2. Pursuant to the Option Deeds entered into between KHHL and each of Mr. Chang and Ms. Leung, KHHL granted Call Options to Mr. Chang and Ms. Leung, entitling them to purchase from KHHL up to [REDACTED] and [REDACTED] Option Shares, representing approximately [REDACTED]% and [REDACTED]% of the issued share capital of our Company (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), at the exercise price of HK\$[REDACTED] per Option Share (subject to adjustment). Please refer to the paragraph headed “Grant of Call Options by KHHL to Mr. Chang and Ms. Leung” in the section headed “Directors, senior management and employees” for further details of the Call Options.
3. Smart Tact is held as to (i) approximately 87.83% by Starich; (ii) 10.00% by Mr. Shih, a director of a subsidiary of our Company; and (iii) approximately 2.17% by Perfect Idea Resources Limited, whose ultimate beneficial owners are Mr. Matsunaga, and Ms. Chiho Matsunaga.
4. Residence is held as to (i) 78.70% by Starich; (ii) 10.00% by Mr. Shih; (iii) an aggregate of 10.00% by Ardian International Limited and Star Ego Limited, whose ultimate beneficial owners are Mr. Lo, a director of a subsidiary of our Company, and Ms. Lilian Shih; (iv) approximately 0.33% by Ms. Leung, an executive Director; (v) approximately 0.17% by Mr. Chang, an executive Director; (vi) approximately 0.07% by Ms. Lam, Chui Wah Eliza, an Independent Third Party; (vii) approximately 0.07% by Ms. Ma, Lai Yee Rebecca, an Independent Third Party; and (viii) approximately 0.67% by Mr. Dixon Lo, a former employee of our Group.
5. EXE is held as to 90.00% by Starich and as to 10.00% by Mr. Lo.
6. I Corporation is held as to 80.00% by Starich and 20.00% by Ms. Ho, a member of senior management and the spouse of Mr. Ip.
7. KK Tenyu AM is held as to (i) approximately 40.00% by Altus Investments; (ii) approximately 15.00% by Mr. Lo; (iii) approximately 15.00% by Mr. Matsunaga; and (iv) approximately 30.00% by an Independent Third Party.
8. JRAM Cayman is directly or indirectly held as to 40.00% by Altus Investments, 15.00% by Mr. Lo and Ms. Lilian Shih, 15.00% by Mr. Matsunaga and Ms. Chiho Matsunaga and 30.00% by an Independent Third Party.
9. JRAM SG is expected to cease to be an associate of our Group upon completion of the Proposal (as defined in the paragraph headed “History” in this section).

BUSINESS

OVERVIEW

We focus on corporate finance and property investment. With regards to the former, we primarily offer sponsorship, financial advisory and compliance advisory services to our clients. For the latter, our Group invests in real estate in Japan and Hong Kong and derives rental income therefrom.

With regards to our corporate finance activities, the principal operating subsidiary, Altus Capital, is licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO in Hong Kong. Our Group is also licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO through our subsidiary, Altus Investments. During the Track Record Period, the services provided by our Group included (i) sponsorship of companies seeking to list on the Main Board or GEM; (ii) provision of financial advisory services on the Listing Rules, the GEM Listing Rules and the Takeovers Code; (iii) compliance advisory services pursuant to Rule 3A.19 of the Listing Rules and Rule 6A.19 of the GEM Listing Rules; and (iv) acting as listing agent for ETFs seeking to list in Hong Kong. For the years ended 31 March 2015 and 2016, revenue generated by our corporate finance activities amounted to approximately HK\$15.4 million and HK\$26.8 million, representing approximately 44.7% and 55.7% of our Group's total revenue, respectively. Please refer to the paragraph headed "Source of revenue" in this section for further details.

During the Track Record Period, our investment portfolio comprised real estate interest in Japan and Hong Kong. We also own our current office premises in Hong Kong. As at the Latest Practicable Date, our investment portfolio comprised 15 Properties with 14 buildings located in Japan and one unit in Hong Kong. For the years ended 31 March 2015 and 2016, revenue generated from our investment portfolio amounted to approximately HK\$19.0 million and HK\$21.4 million, representing approximately 55.3% and 44.3% of our Group's total revenue, respectively.

Going forward, our executive Directors expect an increase in demand for our corporate finance services and intend to expand our advisory team as well as the range of services we offer so as to enhance the complementary nature of our services. Our Group intends to continue with our existing business model and grow our corporate finance segment concurrently with our property investment segment. Please refer to the paragraph headed "Business strategies" under this section and the section headed "Future plans and [REDACTED]" of this document for more details on our expansion plans.

BUSINESS

COMPETITIVE STRENGTHS

Experienced and long established management team

Of our executive management team, comprising our three executive Directors, each has approximately 20 years of industry experience in corporate finance and a majority of which has over 15 years of real estate investment experience. Over the years, they have built up a network and reputation which enables our Group to obtain referrals from both existing clients and professional parties for our corporate finance activities and a network of sellers and property agents to access real estate investment opportunities. As set out under the sections headed “History, Reorganisation and corporate structure” and “Directors, senior management and employees” of this document, our management team has been long established. Our Directors believe that this experience offers confidence to our clients, knowing their projects will be seen through to completion by the same management team engaged to carry out the work and also ensures a consistent management culture, which is of particular importance to our Group, as a service provider, as further elaborated below.

Our Group’s ability to maintain staff, our meritocratic culture together with our management’s commitment towards training, enhances efficiency and quality of services

Our Group’s ability to withstand market fluctuations (as further elaborated in the following paragraph headed “Business strategies”) enables us to maintain a relatively stable advisory team, which allows us to build on the experience and training of our staff and foster relationships amongst the corporate finance advisory team members. This, together with (i) our meritocratic culture; (ii) our Group’s remuneration policy as disclosed under the section headed “Directors, senior management and employees” of this document; and (iii) our management’s commitment towards personal development of our staff as well as their active involvement in day-to-day work, facilitates a quick and efficient response to our clients’ needs and the maintenance of our service quality.

BUSINESS STRATEGIES

Our business model, comprising corporate finance activities in Hong Kong and property investment activities with emphasis in Japan real estate, is devised to spread our business risk and withstand market fluctuations in specific markets. Whilst demand for our corporate finance services is, by its nature, received on a project-by-project basis and therefore susceptible to the fluctuations of Hong Kong securities market, the corporate finance segment of our Group requires relatively less capital and has potential for strong performance under favourable market conditions. On the other hand, our real estate investment activities, albeit capital intensive, generate recurring income which sustains our Group through unfavourable market developments in the finance industry of Hong Kong. This enhances our ability to retain staff, especially during a market downturn for the corporate finance industry, which as aforementioned in the paragraph headed “Competitive strengths” under this section, adds towards our efficiency and service quality. Moreover, diversity in geographical locations of our two businesses also mitigates our Group’s business risks.

BUSINESS

We believe the corporate finance industry to be a growing one and our Group to be well placed to capitalise on such trend. To capitalise on the expected increase in demand for corporate finance services, we will continue with our existing business model and grow our corporate finance business in parallel with our property investment segment. In particular, the growth in financial resources from the enlarged capacity of our fee-generating services will in turn enable us to expand our investment portfolio in scope and size, thereby allowing us to continue the expansion of our corporate finance business while ensuring we possess the holding power to mitigate the effects of cyclical market fluctuations. In this regard, our executive management has deduced the following business strategies:

Enhancing our human resources and expanding the scope of our services

We shall enlarge our capacity by enhancing our human resources through (i) recruiting new staff to strengthen the advisory team; and (ii) increasing productivity and efficiency via training and developing existing staff. We also plan to offer our clients an increasingly comprehensive range of services and draw on the potential demand from our existing pool of clients for corporate finance services that are complementary to our existing services. For instance, we plan to offer underwriting and placing services to our sponsorship clients. Please refer to the section headed “Future plans and [REDACTED]” of this document for further details.

Enhancing our recurring income derived from our investment activities

Our Group intends to enhance our recurring income through expansion of our existing property investment portfolio. In particular, we intend to diversify our focus on Japan residential real estate to include other recurring income generating investments such as commercial and/or retail real estate and/or investments in other geographical locations (e.g. other cities in Japan or Hong Kong) which would further spread our risk and leave our Group less susceptible to fluctuations in specific markets. In evaluating potential acquisition targets, whilst each investment opportunity is assessed by our investment committee on a case-by-case basis taking into account those factors set out in the paragraph headed “Investment and divestment” in this section, our Group’s overall strategy is to acquire steady, recurring income-generating investments with positive net cashflow. We believe that this grants us the ability to mitigate the effects of cyclical market fluctuations in the corporate finance activities in Hong Kong. When identifying potential Japanese real estate acquisition targets, it is our policy that freehold properties in Japan are preferred. Our investment committee continuously evaluates investment opportunities in accordance with such factors, strategies and policy. As at the Latest Practicable Date, our Group has shortlisted potential acquisition targets, however no definitive terms have been determined. Our Group intends to retain our recurring income by reducing finance costs through repayment of existing debt financing using the [REDACTED] of the [REDACTED].

BUSINESS

SOURCE OF FUNDS

During the Track Record Period, we obtained funds primarily through paid up capital contributed by our Shareholders, shareholders' loan, borrowings from banks and internal resources such as the revenue derived from our fee-generating corporate finance business and rental income from our investment portfolio. Going forward, we intend to finance our future operations, capital expenditure and other capital requirements through the capital generated by our business, borrowings from banks, [REDACTED] of the [REDACTED] as well as equity fundraising where opportunity allows.

SOURCE OF REVENUE

The following table sets out the amount of revenue derived from our principal businesses and their respective percentages of our total revenue for the years ended 31 March 2015 and 2016:

	For the year ended 31 March					
	2015			2016		
		Number of			Number of	
		active			active	
		engagements			engagements	
		(Note)/			(Note)/	
	Revenue	% of total	investment	Revenue	% of total	investment
	HK\$'000	revenue	properties	HK\$'000	revenue	properties
<i>Corporate finance services</i>						
Sponsorship	6,677	19.4	6	17,036	35.4	11
Financial advisory	5,712	16.6	36	6,381	13.2	44
Compliance advisory	2,286	6.7	4	3,223	6.7	7
Others	702	2.0	4	166	0.4	3
Subtotal	15,377	44.7	50	26,806	55.7	65
<i>Investment portfolio</i>						
Rental income from						
Properties in Japan	17,347	50.4	13	19,655	40.8	14
Rental income from						
Properties in						
Hong Kong	1,690	4.9	1	1,699	3.5	1
Subtotal	19,037	55.3	14	21,354	44.3	15
Total	34,414	100.0		48,160	100.0	

Note: Active engagements represent corporate finance engagements from which our Group had derived income during the relevant financial year.

BUSINESS

As evidenced above, for the year ended 31 March 2015, approximately 44.7% and 55.3% of our revenue was attributable to our corporate finance business and investment activities respectively. Within the corporate finance business itself, during the year ended 31 March 2015, our Group derived approximately 19.4%, 16.6% and 6.7% of total revenue from sponsorship, financial advisory and compliance advisory respectively. For the year ended 31 March 2016, revenue derived from our corporate finance business and investment activities accounted for approximately 55.7% and 44.3% of our revenue respectively. For the same period, our Group derived approximately 35.4%, 13.2% and 6.7% of total revenue from sponsorship, financial advisory and compliance advisory respectively.

CORPORATE FINANCE SERVICES

Monetary value movement of outstanding contract value of corporate finance projects during the Track Record Period

	Sponsorship HK\$'000	Compliance advisory HK\$'000	Financial advisory HK\$'000	Others HK\$'000	Total HK\$'000
Outstanding contract value of mandates on hand as at 1 April 2014	9,100	5,459	520	–	15,079
New contract value during the year ended 31 March 2015	4,200	875	6,825	782	12,682
Billed contract value during the year ended 31 March 2015	(6,400)	(2,282)	(5,535)	(702)	(14,919)
Terminated outstanding contract value during the year ended 31 March 2015	(1,600)	–	–	–	(1,600)
Outstanding contract value of mandates on hand as at 31 March 2015 and carried forward to 1 April 2015	5,300	4,052	1,810	80	11,242
New contract value during the year ended 31 March 2016	34,570	3,619	5,623	237	44,049
Billed contract value during the year ended 31 March 2016	(16,760)	(3,191)	(6,518)	(165)	(26,634)
Terminated outstanding contract value during the year ended 31 March 2016	(2,000)	–	–	–	(2,000)
Outstanding contract value of mandates on hand as at 31 March 2016	21,110	4,480	915	152	26,657

BUSINESS

When compared to the year ended 31 March 2015, our Group's total outstanding contract value of mandates on hand increased from approximately HK\$11.2 million to HK\$26.7 million, representing a growth of approximately 137.1% for the year ended 31 March 2016. The year-on-year growth was primarily due to the increase in new contract value for sponsorships from approximately HK\$4.2 million for the year ended 31 March 2015 to HK\$34.6 million for the year ended 31 March 2016. For the years ended 31 March 2015 and 2016, the new contract value for compliance advisory increased from approximately HK\$0.9 million to HK\$3.6 million, which also contributed to the increase in total outstanding contract value of mandates on hand for the year ended 31 March 2016.

The table below further sets forth the outstanding contract value of mandates on hand as at 31 March 2016 and the timeframe within which such revenue is expected to be recognised during the years ending 31 March 2017 and 2018 respectively:

	Outstanding contract value of mandates on hand as at 31 March 2016 expected to be recognised during the year ending 31 March		
	2017	2018	Total
	(Note 1)	(Note 1)	
	HK\$'000	HK\$'000	HK\$'000
Sponsorship	17,030	4,080	21,110
<i>Adjusted for mutually terminated project subsequent to 31 March 2016 up to the Latest Practicable Date (Note 2)</i>	<u>(2,000)</u>	<u>–</u>	<u>(2,000)</u>
	15,030	4,080	19,110
Compliance advisory	3,200	1,280	4,480
Financial advisory	915	–	915
Others	<u>152</u>	<u>–</u>	<u>152</u>
Total	<u>19,297</u>	<u>5,360</u>	<u>24,657</u>

Notes:

1. This is according to the latest timetables of our clients' projects which are subject to changes. As stated in the section headed "Risk factors" of this document, our projects, particularly sponsorship engagements, may be delayed or may not be successfully completed, and we therefore may not be able to bill the above contract value or such billing may be delayed.
2. This amount refers to a project which has been mutually terminated in August 2016.

BUSINESS

Sponsorship

We guide our clients throughout all stages of the listing process. From our engagement as a sponsor, through to the listing itself, we ensure the process runs smoothly. As the sponsor, we are responsible for, amongst other things, for (i) conducting reasonable inquiries on the proposed listing group with the support of other professional parties until we are satisfied that our client is suitable for listing; (ii) ensuring sufficient disclosures in the prospectus; and (iii) addressing all matters raised by relevant regulatory bodies.

During the Track Record Period and up to the Latest Practicable Date, we had derived income from sponsorship work for 15 proposed listing groups of which four had successfully listed on the Main Board or GEM as at the Latest Practicable Date. Further details are set out in the table below.

No.	Company name/ business nature	Our role	Main Board/GEM	Status	Stock code	Date of first submission	Date of listing
1.	Kate China Holdings Limited	Sponsor	GEM	Completed	8125	27 January 2014	18 July 2014
2.	Pinestone Capital Limited	Sponsor	GEM	Completed	8097	16 February 2015	12 June 2015
3.	Manfield Chemical Holdings Limited	Sponsor	Main Board	Completed	1561	29 August 2014	1 December 2015
4.	A.Plus Group Holdings Limited	Sponsor	GEM	Completed	8251	10 July 2015	19 April 2016
5.	Freeway Credit Company Limited	Sponsor	GEM	Application proof published	N/A	6 September 2013	N/A
6.	LE Group Holdings Limited	Sponsor	GEM	On hold	N/A	12 October 2015	N/A
7.	Altus Holdings Limited	Joint sponsor	GEM	Application proof published	N/A	20 April 2016	N/A
8.	GME Group Holdings Limited	Sponsor	GEM	Application proof published	N/A	26 April 2016	N/A
9.	GenNex Holdings Limited	Sponsor	GEM	Application proof published	N/A	21 June 2016	N/A

BUSINESS

No.	Company name/ business nature	Our role	Main Board/GEM	Status	Stock code	Date of first submission	Date of listing
10.	Hong Kong based securities firm providing brokerage, margin financing, underwriting and placing services	Sponsor	GEM	Listing application to be submitted	N/A	N/A	N/A
11.	Hong Kong based wall systems solutions provider	Sponsor	GEM	Listing application to be submitted	N/A	N/A	N/A
12.	Australia based gold mining company with mining operations in Europe	Sponsor	Main Board	Listing application to be submitted	N/A	N/A	N/A
13.	CMA Development Holdings Limited	Sponsor	Main Board	Lapsed (Note 1)	N/A	11 November 2015	N/A
14.	Bridge Partners Holdings Limited	Sponsor	GEM	Withdrawn (Note 2)	N/A	17 August 2015	N/A
15.	Hong Kong based financial institution which provides money lending services under the scope of the MLO	Sponsor	Main Board	Suspended (Note 3)	N/A	N/A	N/A

Notes:

1. The listing applicant did not renew its listing application and our engagement was terminated by mutual agreement in August 2016.
2. The listing applicant withdrew its listing application and our engagement was terminated by mutual agreement in January 2016.
3. The listing applicant suspended its listing exercise and our engagement was terminated by mutual agreement in July 2014.

Out of our completed sponsorship engagements since 1 April 2010 and up to the Latest Practicable Date, being engagements for which the client had successfully listed or which had otherwise been terminated, approximately 64.3% culminated in a successful listing for our clients. For illustrative purpose, assuming that all of our sponsorship engagements currently in progress are unsuccessful, our Group's listing success rate for sponsorship engagements which have been active at any point during the Track Record Period is approximately 28.6% (being four successful listing cases divided by 14 sponsorship engagements which we have derived income from during the Track Record Period, whereas one engagement was entered into subsequent to the Track Record Period).

BUSINESS

When providing sponsorship services, we charge our clients upon the achievement of certain milestones which are generally: the signing of the mandate, the circulation of the first draft of the prospectus, the submission of the client's listing application to the Stock Exchange, the completion of the Stock Exchange's hearing regarding our client's listing application and the issuance of the prospectus or listing of the client. The percentage of contract value allocated to be charged at each of the aforementioned stages is determined with reference to the anticipated scope of work leading up to each milestone and prevailing market practice. In general, revenue is recognised with reference to completion progress and the significant acts indicating progress of the listing application, whereby when there is achievement of the milestone, revenue will then be recognised. In general, approximately 30% of our total sponsorship fee is charged for due diligence work carried out in accordance with the sponsorship engagement up to completion of the first draft prospectus and approximately half of our fee for such work up to submission of the relevant listing application, with approximately 75% being charged up to hearing of the relevant listing application, while the final payment generally accounts for approximately 25% of our total sponsorship fee.

The duration of our sponsorship engagements which were completed during the Track Record Period and up to the Latest Practicable Date ranged from approximately 10 to 23 months, with an average of approximately 15 months.

Of the eleven sponsorship engagements we have entered into during the Track Record Period and up to the Latest Practicable Date, five had engaged us previously as financial adviser with a view to further engaging us as a sponsor for their respective listing applications. Such pre-sponsorship financial advisory engagements are entered into for the purpose of preliminarily identifying potential issues with regards to the listing candidate and where applicable, conducting pre-IPO enquiry.

Financial advisory

We act as both independent financial adviser and financial adviser for Hong Kong listed companies. The engagement of an IFA is required for certain transactions under the Listing Rules, the GEM Listing Rules and/or the Takeovers Code.

Independent financial advisory

When engaged for IFA work, we issue a letter of advice in respect of whether the subject transaction is fair and reasonable and in the interests of the listed issuer and its shareholders as a whole. Generally, in forming our recommendation, we (i) obtain documents relevant to the listed company and the transaction under contemplation relevant to our assessment of the fairness and reasonableness; (ii) research the relevant market and other conditions and trends relevant to the transaction; (iii) review the fairness and reasonableness of the transaction; and (iv) where necessary, interview the experts, review the terms of engagement of such expert(s) and review the relevant report(s). During the Track Record Period and up to the Latest Practicable Date, we had derived fee income from acting as IFA for 52 transactions. During the Track Record Period and up to the Latest Practicable Date, none of our engagements had been terminated.

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Financial advisory

As FA, we generally provide documentation support, and guidance on transaction structure and corporate action within the ambit of the requirements of (i) the Listing Rules and the GEM Listing Rules, such as notifiable transactions and transfer of listing from GEM to Main Board; and (ii) the Takeovers Code, such as general offers and whitewash waiver applications. We also act as the FA to offeror or offeree companies on Takeovers Code related matters. On behalf of the client, we communicate with the SFC and/or Stock Exchange for the approval of the transactions or transaction related documents. During the Track Record Period and up to the Latest Practicable Date, we had derived fee income from acting as FA for 37 transactions. During the Track Record Period and up to the Latest Practicable Date, two of our FA engagements were terminated when prospective deals fell through, but one was replaced with a new engagement for a similar transaction and we also entered into another new financial advisory engagement, with the same clients respectively.

The following tables set out details in respect of the transactions for which our engagement as financial adviser or independent financial adviser was published during the Track Record Period and up to the Latest Practicable Date.

For the year ended 31 March 2015

Announcement/ circular date	Company name	Stock code	Nature of transaction(s)	Role
26 May 2014	China Haidian Holdings Limited	256	Discloseable and connected transaction	IFA
6 June 2014	Good Friend International Holdings Inc.	2398	Continuing connected transactions	IFA
9 June 2014	Macau Legend Development Ltd	1680	Continuing connected transactions	IFA
22 July 2014	Good Friend International Holdings Ltd.	2398	Discloseable and continuing connected transaction	IFA
22 August 2014	Lippo Limited and Lippo China Resources Limited	226 and 156	Continuing connected transactions	IFA
25 August 2014	China Merchants Land Limited	978	Major and connected transaction	IFA
3 September 2014	National Agricultural Holdings Limited	1236	Placing of new shares under specific mandate and subscription of new shares under specific mandate	IFA

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Announcement/ circular date	Company name	Stock code	Nature of transaction(s)	Role
30 September 2014	China Environmental Investment Holdings Limited	260	Major and connected transaction	IFA
26 November 2014	Juda International Holdings Limited	1329	Very substantial acquisition, reverse takeover and issue of convertible preference shares and connected transactions	IFA
28 November 2014	e-Kong Group Limited	524	Major and connected transaction	IFA
12 December 2014	RoadShow Holdings Limited	888	Continuing connected transactions	IFA
12 December 2014	National Agricultural Holdings Limited	1236	Placing of new shares under specific mandate and subscription of new shares under specific mandates	IFA
30 December 2014	KuangChi Science Limited	439	Continuing connected transactions	IFA
30 December 2014	Pegasus Entertainment Holdings Limited	1326 (formerly, 8039)	Transfer of listing from GEM to Main Board	FA
2 February 2015	Hsin Chong Construction Group Ltd.	404	Continuing connected transactions	IFA
13 March 2015	Regal Real Estate Investment Trust	1881	Material change to lease agreements, lease guarantee extensions and CCPT waiver extension	IFA
16 March 2015	Regent Pacific Group Limited	575	Major and connected transaction	IFA

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For the year ended 31 March 2016

Announcement/ circular date	Company name	Stock code	Nature of transaction(s)	Role
27 April 2015	National Agricultural Holdings Limited	1236	Placing and subscription of unlisted warrants under specific mandate	IFA
20 May 2015	China Merchants Bank Co., Ltd.	3968	Connected issue in relation to the proposed employee stock ownership scheme	IFA
30 August 2015	Dorsett Hospitality International Limited (delisted)	N/A (formerly, 2266)	Privatisation by a scheme of arrangement	IFA
31 August 2015	Eternity Investment Limited	764	Very substantial acquisition	FA
1 September 2015	Man Sang Jewellery Holdings Limited	1466	Major and connected transaction	IFA
4 September 2015	South China Holdings Company Limited	413	Major and connected transactions	IFA
7 September 2015	Good Friend International Holdings Inc.	2398	Discloseable and connected transaction	IFA
10 September 2015	China Merchants Bank Co., Ltd.	3968	Connected issue in relation to the adjustment to employee stock ownership scheme	IFA
25 September 2015	CNQC International Holdings Limited	1240	Very substantial and connected transaction, reverse takeover, continuing connected transaction and application for whitewash waiver	IFA
27 October 2015	China Electronics Corporation Holdings Company Limited	85	Major and connected transaction and continuing connected transaction	IFA

BUSINESS

Announcement/ circular date	Company name	Stock code	Nature of transaction(s)	Role
27 October 2015	Good Friend International Holdings Inc.	2398	Major and connected transaction	IFA
6 November 2015	China Merchants China Direct Investments Limited	133	Continuing connected transaction – proposed re-appointment of China Merchants China Investment Management Limited as investment manager	IFA
24 November 2015	Minmetals Land Limited	230	Major transaction and renewal of continuing connected transactions	IFA
4 December 2015	Good Friend International Holdings Inc.	2398	Major and connected transaction – formation of joint venture and capital injection	IFA
14 December 2015	Shandong Xinhua Pharmaceutical Company Limited	719	Connected person participation relating to the proposed implementation of employee stock ownership scheme	IFA
21 December 2015	Jinchuan Group International Resources Co., Ltd.	2362	Continuing connected transactions	IFA
28 January 2016	Vietnam Manufacturing and Export Processing (Holdings) Limited	422	Continuing connected transactions	IFA
3 February 2016	Global Tech (Holdings) Limited	143	Unconditional mandatory general offer	FA
4 February 2016	Regent Pacific Group Limited	575	Very substantial acquisition and connected transaction	IFA

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For the period subsequent to 31 March 2016 and up to the Latest Practicable Date

Announcement/ circular date	Company name	Stock code	Nature of transaction(s)	Role
11 April 2016	Haitong International Securities Group Limited	665	Major and continuing connected transactions	IFA
14 April 2016	San Miguel Brewery Hong Kong Ltd.	236	Continuing connected transactions	IFA
25 April 2016	Shenwan Hongyuan (H.K.) Limited	218	Continuing connected transactions	IFA
3 May 2016	Hsin Chong Group Holdings Limited	404	Connected transaction in relation to the subscription for zero coupon convertible bonds under specific mandate	IFA
23 June 2016	CNQC International Holdings Limited	1240	Major and connected transaction in relation to an acquisition	IFA
15 July 2016	Jinchuan Group International Resources Co. Ltd	2362	Supplemental agreement for continuing connected transactions	IFA
27 July 2016	Hao Tian Development Group Limited	474	Possible mandatory unconditional cash offer	FA
13 September 2016	COSCO SHIPPING Ports Limited	1199	Discloseable and continuing connected transaction	IFA
15 September 2016	China Merchants Land Limited	978	Discloseable and connected transactions in relation to acquisitions	IFA
23 September 2016	Regal Hotels International Holdings Limited	78	Major and connected transaction – provision of financial assistance	IFA

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For our IFA and FA services, we will in a majority of cases charge our clients in stages; the first upon signing of the mandate, and the second upon issuance of our advisory letter or relevant circular to which the project pertains. We will generally charge around half of the total contracted value in the first stage and the remaining contracted value at the second (and final) stage, although this varies on a case-by-case basis subject to the length and complexity of the project and our individual negotiations with clients. Revenue is recognised when the underlying services have been provided. In this regard, our executive management assesses the completion status of each project and revenue is recognised with reference to such project status.

The duration of our financial advisory engagements which were entered into and completed during the Track Record Period ranged from approximately 1 to 18 months, with an average of approximately two months.

Of the approximately HK\$5.7 million and HK\$6.4 million revenue from financial advisory services recognised by our Group for the years ended 31 March 2015 and 2016, approximately HK\$3.4 million and HK\$3.7 million, amounting to approximately 59.5% and 58.6% respectively, was received from recurring clients whom we had been engaged by in previous projects.

Compliance advisory

We provide compliance advisory services pursuant to Rule 3A.19 of the Listing Rules and Rule 6A.19 of the GEM Listing Rules. As compliance adviser, when consulted by a listed issuer, we, amongst other things, ensure the listed issuer is properly guided and advised as to compliance with the Listing Rules or GEM Listing Rules and the Takeovers Code. In general, we are engaged to act as compliance adviser to companies we have sponsored through the listing process. We also offer compliance advisory services to clients who are newly listed seeking a compliance adviser. During the Track Record Period and up to the Latest Practicable Date, we provided compliance advisory services to nine clients, details of which are set out as follows:

No.	Company	Sponsorship client	Main Board/GEM	Stock code	Date of listing
1.	Pegasus Entertainment Holdings Limited	Yes	Main Board	1326 (formerly, 8039)	31 October 2012 (transferred from GEM to Main Board on 9 January 2015)
2.	Orient Securities International Holdings Ltd.	Yes	GEM	8001	15 January 2014
3.	Colour Life Services Group Co., Ltd.	No	Main Board	1778	30 June 2014
4.	Kate China Holdings Limited	Yes	GEM	8125	18 July 2014

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No.	Company	Sponsorship client	Main Board/GEM	Stock code	Date of listing
5.	Pinestone Capital Limited	Yes	GEM	8097	12 June 2015
6.	Creative China Holdings Limited	No	GEM	8368	18 November 2015
7.	Manfield Chemical Holdings Limited	Yes	Main Board	1561	1 December 2015
8.	A.Plus Group Holdings Ltd.	Yes	GEM	8251	19 April 2016
9.	Jacobson Pharma Corporation Ltd.	No	Main Board	2633	21 September 2016

Under the Listing Rules (and the GEM Listing Rules), newly listed companies are required to engage a compliance adviser commencing from the date of listing and ending on the date on which the listed issuer issues its annual report in respect of its financial results for the first (or second for GEM listed companies) full financial year commencing after the date of its initial listing. Revenue is spread evenly over the period for which we provide our compliance advisory services.

A fixed fee is charged monthly or quarterly by our Group to our compliance adviser clients. Of the approximately HK\$2.3 million and HK\$3.2 million revenue from compliance advisory services recognised by our Group for the years ended 31 March 2015 and 2016, approximately HK\$1.9 million and HK\$2.5 million, amounting to approximately 83.6% and 78.6% respectively, was received from clients to whom we had previously provided sponsorship services.

Others

During the Track Record Period, we had also acted as listing agent for ETFs seeking to list in Hong Kong whereby we act as the intermediary between the representatives of the ETF and the Stock Exchange.

Type 1 (dealing in securities) regulated activity

Pursuant to our licence issued by the SFC for Type 1 (dealing in securities) regulated activity, our Group can, through Altus Investments, participate in securities dealing activities related to corporate finance (but not extending to retail level). For transactions relating to the Takeovers Code, our Group also makes the general offer on behalf of our client through Altus Investments. During the Track Record Period and up to the Latest Practicable Date, we entered into such arrangements with two clients. Since the Track Record Period and up to the Latest Practicable Date, our Group also provided underwriting services to one sponsorship client.

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Corporate finance operational procedures

Our operational procedures for corporate finance services generally involve the origination of potential transactions, know-your-client and deal acceptance procedures, execution and delivery of end products as well as completion, billing and settlement, a summary of which is set out below.

Steps	Description
1. Origination of potential transaction	<ul style="list-style-type: none">– In general, corporate finance transactions originate from referrals via the established network of our Group, recurring clients and professional parties with whom our team has previously collaborated– Our Responsible Officers conduct a preliminary assessment taking into account, amongst other things, the business and financial background of the potential client, the nature of the transactions, including the proposed terms as well as the proposed professional parties
2. Know-your-client and deal acceptance procedures	<ul style="list-style-type: none">– Internal conflict check and independence check are conducted to avoid potential conflict of interest with the relevant clients and to confirm independence of our Group– We have to be satisfied as to the integrity of the management team of the potential client, the integrity of the principal shareholders, the nature of the business of the potential client, its financial standing and source of funds– Members of the advisory team prepare the memorandum containing (i) the results of conflict and independence checks; (ii) the findings of know-your-client work and related assessment; and (iii) the availability of human resources– The abovementioned memorandum together with the draft mandate are presented to a Responsible Officer for review and approval before the mandate is signed
3. Execution (details of this step are further elaborated below)	<ul style="list-style-type: none">– Execution of sponsorship engagements is supervised by at least one of our Principals, whereas execution of financial and compliance advisory works are supervised by at least one of our Responsible Officers

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4. Completion, billing and settlement (details of this step are further elaborated below)
- For sponsorship works and financial advisory engagements, invoices are issued to clients upon achievement of payment milestones set out in the mandate
 - For compliance advisory engagements, fees are generally settled by instalments periodically

Execution

Sponsorship

For each of our sponsorship clients, we devise a due diligence plan to enable us to conduct reasonable inquiries on the proposed listing group with the support of other professional parties until we are satisfied that our client is suitable for listing. Due diligence is carried out in line with the principles set out under the Hong Kong Sponsor Due Diligence Guidelines. In this regard, our transaction team is responsible for leading the entire due diligence process with the support of professional parties and attending due diligence trips, interviews and meetings. We also review and analyse information, reports, documents obtained from the client as well as independent sources, where deemed necessary.

In conjunction to the undertaking of the due diligence, our transaction team is also responsible for, amongst other things, (i) the drafting and/or reviewing of key sections of the listing document together with relevant submission documents; (ii) reviewing documentation prepared by other professional parties to ensure the listing document and all relevant application documents are in accordance with the applicable laws, rules and regulations, including, but not limited to, the Listing Rules, the GEM Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance as well as the Companies Ordinance; and (iii) acting as the primary contact point for the regulators.

Financial advisory

For FA/IFA transactions, we commence our work by obtaining information, either through discussion with the client or via a due diligence questionnaire distributed to the client. Having reviewed the information available, the transaction team may follow up with the client for clarification or make further requests to facilitate the preparation of the draft documents (such as announcements, circulars, and submissions to be made to the Stock Exchange or the SFC, or letters of advice from the IFA). Where necessary, the transaction team conducts relevant research to support our analysis. In cases where third party experts are engaged, appropriate due diligence is also carried out, including, but not limited to, obtaining and reviewing the terms of engagement from the third party expert, reviewing the relevant reports and the underlying assumptions adopted therein as well as conducting due diligence interviews.

For IFA engagements, we also communicate and obtain confirmation of no-comment from the relevant independent board committee of our client. In general, to ensure the independent board committee understands our analysis and how we form our opinion set out in the relevant letter of advice, a meeting or conference call is held whereby our transaction team explains the rationale behind our advice to the independent board committee and clarify any question or comment from the independent board committee.

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Compliance advisory

Our engagement as compliance adviser is generally entered into prior to the submission of the listing application of our client and effective upon its listing. The term of our engagement would cover the period required under the Listing Rules or the GEM Listing Rules. In general, as compliance adviser, when consulted by our clients, we guide and advise as to compliance with the Listing Rules, GEM Listing Rules and the Takeovers Code. In particular, we review all draft regulatory announcements, circulars or financial reports provided to us by our client prior to their publication from a Listing Rules, GEM Listing Rules and/or Takeovers Code perspective. Throughout our engagement, we also notify our client of any amendments to the Listing Rules, GEM Listing Rules and/or Takeovers Code when necessary.

Completion, billing, settlement and credit control

In most transactions which involve documents to be prepared and published in accordance with the Listing Rules, the GEM Listing Rules and/or the Takeovers Code, in general, the transactions are considered completed upon signing off of the documents (or provision of the physical documents bearing signature of the appropriate personnel of Altus Capital and/or Altus Investments), despite the fact that we may be required to attend certain formalities, such as attending the client's general meeting and listing ceremonies.

Given the business nature of corporate finance services, we usually require our clients to pay a portion of the agreed service fee upon execution of the engagement letter, and the remaining portion(s) upon certain milestone(s). For instance, in respect of FA or IFA engagements, the remaining portion of the service fees are normally payable upon publication of the circular whilst sponsorship fees are based on key milestones such as submission of the listing application and despatch of the listing document. Our Group does not offer credit terms to our clients, and all invoices are due for payment upon presentation.

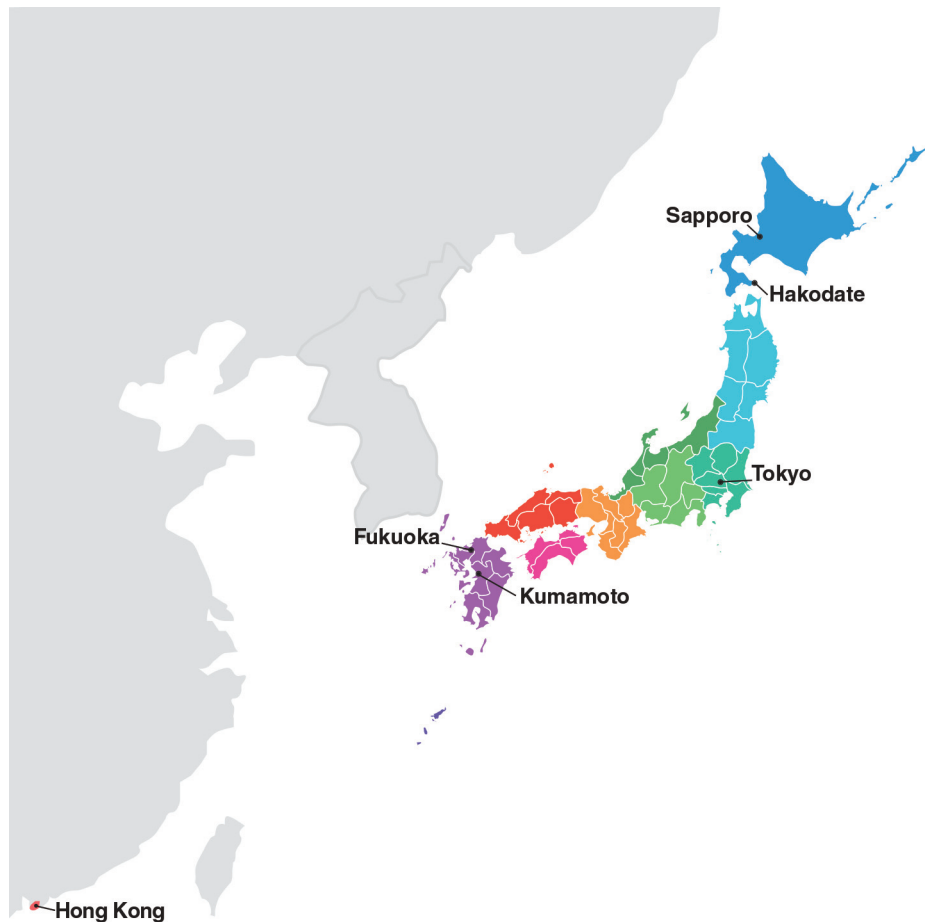
The aging analysis of corporate finance services account receivables are presented at the regular fortnightly meetings attended by all members of our advisory team. Any extraordinary items or outstanding payments noted will be followed up as deemed necessary by the executive management after discussion amongst the advisory team either by (i) verbal reminders by the responsible transaction team member; (ii) written reminders by the finance and accounts department; or (iii) where appropriate, necessary legal actions against the client for the outstanding payment. The executive management will consider whether provision is necessary for any long standing account receivables and once provision is made and circumstances have not improved, whether write-off is necessary. The executive management take into account, amongst other things, the client's previous payment history, the financial status of the client and any other case-specific factors when determining whether provision is necessary. Please refer to the paragraph headed "Impairment allowances" under the section headed "Financial information" of this document for further details of provisions made by our Group during the Track Record Period.

Upon completion of the transaction, usually upon the delivery of our end product, our Group issues the final invoice. We did not experience any default in settlement for services rendered during the Track Record Period.

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PROPERTY INVESTMENT ACTIVITIES

During the Track Record Period, the income derived from our property investment activities consisted mainly of rental income from our real estate investments, based primarily in Japan. Our current focus is on the Japanese market, due to its steady recurring rental income, potential for capital gains and the relevant expertise of our executive management team, more of which can be found in the section headed “Directors, senior management and employees” of this document. Moreover, based on our Directors’ investment experience in the past one and a half decades, the Japanese real estate market economy has been less susceptible to fluctuations in the global economy including Hong Kong economy to which our corporate finance segment is strongly correlated. As such, our Directors are of the view that our investments in the Japan real estate market grants us the ability to mitigate the effects of cyclical market fluctuations in corporate finance activities in Hong Kong. Set out below is a map indicating the six regions where our Properties are located.



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City/region	Sapporo	Hakodate	Tokyo (Note 4)	Fukuoka (Note 5)	Kumamoto	Hong Kong
No. of Properties	8	1	2	2	1	1
No. of units	298	44	13	22	35	1
Net lettable area (sq.ft.)	90,985	13,640	14,387	19,381	14,158	2,267
Average monthly rent per unit of net lettable area (HK\$ per sq.ft.) (Note 1)	9.86	8.63	19.07	9.50	13.25	62.29
Average occupancy rate (Note 2)	92.1%	90.8%	89.8%	87.1%	95.9%	100.0%
Contribution to rental income						
– For the year ended 31 March 2015	57.3%	7.9%	1.8%	11.8%	12.3%	8.9%
– For the year ended 31 March 2016	50.0%	6.2%	14.8%	10.9%	10.1%	8.0%
Aggregate acquisition costs of Properties	JPY1,029 million	JPY148 million	JPY1,553 million	JPY445 million	JPY330 million	HK\$12 million
Aggregate valuation of Properties						
– As at 31 March 2015	JPY1,595 million	JPY214 million	JPY1,310 million	JPY440 million	JPY395 million	HK\$60 million
– As at 31 March 2016	JPY1,638 million	JPY218 million	JPY1,564 million	JPY442 million	JPY401 million	HK\$58 million
Average net rental yield (Note 3)						
– For the year ended 31 March 2015	5.9%	6.5%	2.8%	5.5%	6.5%	2.7%
– For the year ended 31 March 2016	6.2%	6.2%	2.8%	5.8%	6.5%	2.8%

Notes:

1. Average monthly rent is calculated based on rental income generated during the Track Record Period divided by the number of months comprising the Track Record Period, being 24, or from the acquisition date to 31 March 2016 if acquired since the commencement of the Track Record Period.
2. Average occupancy rate is averaged over the Track Record Period or from the acquisition date to 31 March 2016 based on the number of units occupied out of total units.
3. Average net rental yield was calculated using the total net operating income of the relevant Property(ies) for the years ended 31 March 2015 and 2016 respectively divided by the valuation of the market value of the relevant Property(ies) as at 31 March 2015 and 2016 respectively. The net operating income of Properties acquired during either of the years were annualised.
4. The two Properties in Tokyo, being Azabu Sendaizaka Hills and Crown Building, were acquired in February and July 2015 respectively.
5. One Property in Fukuoka, being Wealth Fujisaki, was acquired in August 2014.

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As at the Latest Practicable Date, our investment portfolio consisted of 15 Properties, of which 14 were buildings (including freehold land) located in Japan and the remaining one was an office unit located in Hong Kong. The following table sets out the key information of our Properties held by our Group:

Property name	Year of construction completion	Year of acquisition	Held by	Location	Approximate distance to nearest subway stations (minutes)	Residential units	Commercial units	Parking units	Registered site area (sq.ft.)	Net lettable area (sq.ft.)
<i>Japan</i>										
1. Ark Palace Hiragishi	1984	2010	GK Bohol	Sapporo	1	44	10	–	5,996	14,474
2. LC One	1988	2011	GK Bohol	Sapporo	3	25	1	–	2,056	6,582
3. Libress Hiragishi	1987	2003	YK Houten	Sapporo	6	34	2	–	4,885	11,554
4. Nouvelle 98	1988	2004	YK Houten	Sapporo	9	38	–	14	7,661	13,790
5. South 1 West 18 Building	1989	2010	GK Bohol	Sapporo	3	32	5	35	4,585	15,529
6. T House	1987	2004	YK Houten	Sapporo	5	24	–	–	3,877	6,751
7. Tommy House Hiragishi	1991	2004	YK Houten	Sapporo	3	28	–	–	4,622	8,782
8. White Building A & B	1985	2010	GK Bohol	Sapporo	5	55	–	–	3,983	13,523
9. City Court Suginami	1989	2005	YK Houten	Hakodate	4	44	–	7	8,172	13,640
10. Azabu Sendaizaka Hills	1991	2015	GK Choun	Tokyo	10	7	–	7	7,745	12,046
11. Crown Building	1968	2015	YK Houten	Tokyo	3	2	4	–	767	2,341
12. Residence Motoki	1991	2013	GK Mamaha	Fukuoka	7	11	1	7	3,855	11,991
13. Wealth Fujisaki	1988	2014	YK Houten	Fukuoka	1	10	–	6	4,164	7,390
14. Rise Shimodori EXE	2008	2010	GK Hayama	Kumamoto	3 (Note)	32	3	5	4,137	14,158
				Shouten						
Sub-total						386	26	81	66,505	152,551
<i>Hong Kong</i>										
15. 8th Floor, Hong Kong Diamond Exchange Building	1981	2000	Starich Resources Limited	Hong Kong	N/A	–	1	–	N/A	2,267
Total						386	27	81	66,505	154,818

Note: This distance is measured to the nearest tram station in lieu of a subway system in Kumamoto.

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The following table sets out the respective average monthly rent per unit of net lettable area, average occupancy rates and revenue contribution of our Properties during the Track Record Period.

Property name	For the year ended 31 March							
	2015				2016			
	Average monthly rent per unit of net lettable area HK\$ per sq. ft.	Average occupancy rate %	Rental income HK\$'000	% of total rental income %	Average monthly rent per unit of net lettable area HK\$ per sq. ft.	Average occupancy rate %	Rental income HK\$'000	% of total rental income %
<i>Japan</i>								
1. Ark Palace Hiragishi	14.3	88.7%	2,492	13.1%	13.3	98.9%	2,311	10.8%
2. LC One	11.3	94.9%	889	4.7%	12.6	98.1%	995	4.7%
3. Libress Hiragishi	6.8	90.0%	937	4.9%	6.8	92.8%	943	4.4%
4. Nouvelle 98	8.7	83.2%	1,442	7.6%	8.6	89.7%	1,429	6.7%
5. South I West 18 Building	10.5	77.1%	1,960	10.3%	10.3	81.5%	1,923	9.0%
6. T House	10.2	91.7%	822	4.3%	9.4	96.9%	763	3.6%
7. Tommy House								
8. Hiragishi White Building	9.2	94.3%	968	5.0%	8.3	94.9%	873	4.1%
9. A & B	8.7	100.0%	1,403	7.4%	8.8	100.0%	1,432	6.7%
10. City Court Sugunami	9.1	92.2%	1,497	7.9%	8.1	89.5%	1,329	6.2%
10. Azabu Sendaizaka Hills (Note 1)	14.4	42.9% (Note 2)	347	1.8%	19.1	85.7%	2,760	12.9%
11. Crown Building (Note 1)	–	–	–	–	19.7	100.0%	415	1.9%
12. Residence Motoki	11.7	77.5%	1,688	8.9%	10.0	85.5%	1,438	6.7%
13. Wealth Fujisaki (Note 1)	6.3	95.5%	556	2.9%	10.0	91.1%	888	4.2%
14. Rise Shimodori EXE	13.8	96.7%	2,346	12.3%	12.7	95.2%	2,156	10.1%
Subtotal/average	10.4	86.5%	17,347	91.1%	11.3	92.9%	19,655	92.0%
<i>Hong Kong</i>								
15. 8th Floor, Hong Kong Diamond Exchange Building	62.1	100.0%	1,690	8.9%	62.5	100.0%	1,699	8.0%
Total/average		87.5%	19,037	100.0%		93.3%	21,354	100.0%

Notes:

1. Our Group acquired Wealth Fujisaki, Azabu Sendaizaka Hills and Crown Building in August 2014, February 2015 and July 2015 respectively.
2. Our understanding is that the previous owner was exploring the possibility of selling the units on a strata title basis prior to our acquisition in February 2015 and intentionally left certain units unoccupied, resulting in a low average occupancy rate during the year ended 31 March 2015. The average occupancy rate had subsequently recovered to approximately 85.7% during the year ended 31 March 2016.

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Rental income derived from our Properties mainly represented rental received from tenants of our real estate portfolio. With regards to analysis of the rental income from property investment during the Track Record Period, please refer to the paragraph headed "Rental income from property investment" under the section headed "Financial information" of this document for further details.

Appraised value

We set out below the appraised value of each of our Properties held under our investment portfolio. Please also refer to Appendices III and IV to this document for details of the appraised value of our Properties in the valuation reports.

	Property name	Acquisition price	31 March 2015			Market value as at 31 March 2016		31 July 2016	
		JPY'million	JPY'million	HK\$'000	JPY'million	HK\$'000	JPY'million	HK\$'000	
Japan									
1.	Ark Palace Hiragishi	144	373	24,171	379	26,113	381	28,956	
2.	LC One	79	123	7,970	130	8,957	133	10,108	
3.	Libress Hiragishi	145	158	10,238	161	11,093	162	12,312	
4.	Nouvelle 98	153	209	13,543	217	14,951	219	16,644	
5.	South 1 West 18 Building	180	248	16,070	251	17,294	254	19,304	
6.	T House	103	134	8,683	136	9,370	137	10,412	
7.	Tommy House Hiragishi	124	143	9,267	151	10,404	152	11,552	
8.	White Building A & B	101	207	13,414	213	14,676	215	16,340	
9.	City Court Suginami	148	214	13,867	218	15,020	220	16,720	
10.	Azabu Sendaizaka Hills	1,300	1,310	84,888	1,310	90,259	1,310	99,560	
11.	Crown Building	253	–	–	254	17,501	254	19,304	
12.	Residence Motoki	275	269	17,431	271	18,672	271	20,596	
13.	Wealth Fujisaki	170	171	11,081	171	11,782	171	12,996	
14.	Rise Shimodori EXE	330	395	25,596	401	27,629	401	30,476	
Subtotal		3,505	3,954	256,219	4,263	293,721	4,280	325,280	
		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Hong Kong									
15.	8th Floor, Hong Kong Diamond Exchange Building	11,600		60,000		58,000		58,000	
Total				316,219		351,721		383,280	

Notes:

- During the Track Record Period, our Group acquired (a) one Property in Fukuoka, being Wealth Fujisaki, in August 2014, and (b) two Properties in Tokyo, being Azabu Sendaizaka Hills and Crown Building, in February and July 2015 respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, there had been no further acquisition of properties by our Group. As at the Latest Practicable Date, our Group has shortlisted potential acquisition targets, however no definitive terms have been determined.
- The exchange rates adopted in the above table were: JPY1.00 to HK\$0.0648 on 31 March 2015, JPY1.00 to HK\$0.0689 on 31 March 2016 and JPY1.00 to HK\$0.076 on 31 July 2016.

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In line with market practice as confirmed by Vigers Appraisal And Consulting Limited and Colliers International Tokyo respectively, the fair value of the Property in Hong Kong was estimated using the investment approach as well as the comparison approach whilst the fair values of our Properties in Japan were valued using the discounted cash flow approach with reference to both the direct capitalisation approach and comparison approach. The difference in valuation approaches stems primarily from the fact that in Japan it is not mandatory to report the acquisition prices of properties and therefore comprehensive information on potential comparable transactions is not available. This being the case, the valuation of the Japan Properties was not able to rely solely on the comparison approach to the same extent as the Hong Kong Property. As at 31 March 2015 and 2016 and 31 July 2016, our Properties' total appraised value was approximately HK\$316.2 million, HK\$351.7 million and HK\$383.3 million respectively. With regards to analysis of the net increase in fair value of investment properties during the Track Record Period, please refer to the paragraph headed "Net increase/(decrease) of fair value of investment properties" under the section headed "Financial information" of this document for further details.

Details of the two valuation approaches used in appraising the Property in Hong Kong are set forth in Appendix III to this document. With respect to our Properties in Japan, under the discounted cash flow approach, the appraised values were estimated by discounting future cash flows to be generated by the Property at the relevant rate of return. When applying such method, it is necessary to determine an appropriate discount rate and terminal capitalisation rate (being the capitalisation rate at the maturity of the holding period (which is the end of year 10 from the date of appraisal) of the appraised Property) for each of the Property in Japan.

In this regard, Colliers International Tokyo, our independent property valuer in Japan, advised that the discount rates were derived by considering (i) the prevailing yield of the 10 year Japanese government bonds; (ii) the real estate risk, which is applied in appraising properties in Japan to capture the possible risks to which Japan real estate is generally exposed; and (iii) further risk premiums specific to our Properties, such as likelihood of soil contamination and natural disaster (e.g. earthquake, flooding).

BUSINESS

The terminal capitalisation rates were estimated by combining (i) the respective capitalisation rate as at the date of valuation (being derived from the average capitalisation rate of comparable properties after adjusting for mainly property-specific factors such as age, quality and neighbourhood of the building and the general market expectation in the surrounding area); (ii) the term risk (being future risk such as the change in the neighborhood and the building age); (iii) the spread between the net cash flow of the appraised Properties applied in the direct method and that estimated for year 11; and (iv) the expected change in the net cash flows after year 11. For illustration purpose, we set out below the discount rates and terminal capitalisation rates of our Properties in Japan adopted in respect of their appraised values as at 31 July 2016. For further reference, we also set out below the capitalisation rates of properties based on expected return from surveyed investors prepared by JREI in the respective areas as disclosed in the section headed “Industry overview” of this document:

	Discount rate adopted for each of our Properties %	Terminal capitalisation rate adopted for each of our Properties %	JREI capitalisation rate by geographic area (Note 1) %
Ark Palace Hiragishi	5.6	5.9	6.2 (Sapporo)
LC One	5.5	5.8	
Libress Hiragishi	5.6	5.9	
Nouvelle 98	5.5	5.8	
South 1 West 18 Building	5.4	5.7	
T House	5.6	5.9	
Tommy House Hiragishi	5.6	5.9	
White Building A & B	5.6	5.9	
City Court Suginami	5.9	6.2	Not available (Hakodate)
Azabu Sendaizaka Hills	3.2	3.5	4.7 (Tokyo’s Setagaya and Meguro Wards) (Note 2)
Crown Building	3.3	3.6	
Residence Motoki	5.6	5.9	5.8 (Fukuoka)
Wealth Fujisaki	5.6	5.9	
Rise Shimodori EXE	5.8	6.1	Not available (Kumamoto)

Notes:

1. According to the JREI Real Estate Investor Survey prepared by JREI, the capitalisation rates are estimated based on responses relating to, among others, real estate investors’ expected returns and investment outlook with respect to each geographic area as a whole including Sapporo, Tokyo’s Setagaya and Meguro Wards and Fukuoka respectively (whilst there is no such information for Hakodate and Kumamoto available in the survey) and do not necessarily reflect specific rates derived from actual transactions. Details can also be found in the section headed “Industry overview” of this document.
2. Tokyo’s Setagaya and Meguro Wards are adjacent to Minato Ward, where our Properties in Tokyo are situated.

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Since real estate properties are individually unique, the terminal capitalisation rate adopted for each of our Properties in Japan, after being adjusted in accordance with the respective Property’s characteristics and term risk, could differ from the JREI capitalisation rate estimated by relevant geographic area as a whole. When considering the terminal capitalisation rate for each Property, the property valuer has taken into account property-specific factors such as age, quality and neighbourhood of the building, as well as the general market expectation in the surrounding area implied in the capitalisation rate based on the JREI Real Estate Investor Survey, where available. Accordingly, differences between the terminal capitalisation rate adopted for the valuation of our Properties in Japan, particularly the two Properties in Tokyo (located in Minami Azabu and Azabu Juban areas of Minato Ward, where a number of embassies are located, and are generally considered more prime areas), and the capitalisation rate of properties in the Meguro and Setagaya Wards per the JREI Real Estate Investor Survey are more pronounced.

For your reference, set out below are the unit prices of our Properties’ net rentable area adopted in the valuation reports and the unit prices of their respective comparable properties’ net rentable area, details of which are set out in Appendices III and IV to this document. To facilitate the comparison on the value of each of our Properties with the comparable properties, adjustments will be made to the transacted prices of the comparable properties such as transaction time difference, regional factors such as location and other factors with respect to the building specifications or conditions such as age, size and quality. As illustrated in the table below, the unit prices of our Properties’ net rentable area are within or close to the range of the adjusted unit prices of their respective comparable properties’ net rentable area.

		Unit price of net rentable area (Note 1) JPY per sq.m.	Unit price of the comparable properties’ net rentable area JPY per sq.m.	Adjusted unit price of the comparable properties’ net rentable area JPY per sq.m.
<i>Japan</i>				
1.	Ark Palace Hiragishi	283,337	230,524 262,906 254,755	273,516 287,702 290,053
2.	LC One	217,516	234,261 197,460 204,842	224,212 218,830 214,172
3.	Libress Hiragishi	150,927	230,524 262,906 208,097	155,300 158,364 146,657
4.	Nouvelle 98	170,947	160,577 117,192 174,474	173,269 176,276 167,377
5.	South 1 West 18 Building	176,055	160,577 117,192 174,474	183,975 169,133 177,405

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		Unit price of net rentable area (Note 1) JPY per sq.m.	Unit price of the comparable properties' net rentable area JPY per sq.m.	Adjusted unit price of the comparable properties' net rentable area JPY per sq.m.
6.	T House	218,431	218,784 204,461 123,058	225,646 224,546 217,780
7.	Tommy House Hiragishi	186,293	208,097 178,086 232,282	194,442 191,843 185,165
8.	White Building A & B	168,575	229,219 314,880 223,811	175,267 173,943 166,708
9.	City Court Suginami	173,611	194,717 140,175 160,447	176,836 171,971 177,109
10.	Azabu Sendaizaka Hills	1,170,542	822,547 545,805 692,228	1,148,082 1,193,263 1,270,442
11.	Crown Building	1,167,816	1,056,250 1,070,091 1,956,729	1,163,023 1,184,373 1,203,685
12.	Residence Motoki	243,263	420,694 114,356 321,546	253,780 236,948 250,844
13.	Wealth Fujisaki	249,075	420,694 114,356 321,546	256,128 249,039 254,947
14.	Rise Shimodori EXE	304,869	244,918 262,285 235,670	304,666 305,243 309,633

		Unit price of net rentable area (Note 1) HKD per s.f.	Unit price of the comparable properties' net rentable area HKD per s.f.	Adjusted unit price of the comparable properties' net rentable area HKD per s.f.
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Hong Kong

15.	8th Floor, Hong Kong Diamond Exchange Building	25,584	27,619 24,040 21,237 24,382	25,169 25,181 25,540 25,861
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Note:

- The unit price of net rentable area was calculated based on the appraised value of each Property as at 31 July 2016.

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Characteristics of the types of residential units

Most of our real estate investment portfolio is for residential purposes. Out of these, the residential units can generally be categorised into three types, being small, medium and family. The characteristics of each type of unit are as follows:

Type	No. of units as at 31 March 2016	Typical layout	Typical size	Target tenant profile	Annual rent assuming full occupancy (JPY'000) ^(Note)
Small	246	Studio plus kitchen	Generally 200 sq.ft. to 350 sq.ft.	Young working singles, students	113,214
Medium	110	1 bedroom plus dining and kitchen 2 bedrooms plus dining and kitchen 2 bedrooms plus living, dining and kitchen	Generally 350 sq.ft. to 550 sq.ft.	Young professionals, working singles, working couples without children	58,092
Family	30	3 bedrooms plus living, dining, kitchen and above	Generally 550 sq.ft. and above	Families	82,284
Total	386				253,590

Note: For illustrative purpose, annual rent at full occupancy is assumed. The actual occupancy rate of our small, medium and large units were approximately 98.0%, 99.1% and 96.6% respectively as at 31 March 2016.

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As evidenced above, approximately 63.7% of the residential units in our investment portfolio are small units catering to young working singles and students, and approximately 28.5% of the residential units are medium units targeting small families and working singles. The detailed breakdown of the residential units of our investment portfolio in Japan by type are as follows:

No.	Property	Region	Size	Number of units
1.	Ark Palace Hiragishi	Sapporo	Small	44
2.	LC One	Sapporo	Small	24
			Medium	1
3.	Libress Hiragishi	Sapporo	Small	17
			Medium	17
4.	Nouvelle 98	Sapporo	Small	38
5.	South 1 West 18 Building	Sapporo	Medium	32
6.	T House	Sapporo	Small	8
			Medium	16
7.	Tommy House Hiragishi	Sapporo	Small	28
8.	White Building A & B	Sapporo	Small	27
			Medium	28
9.	City Court Suginami	Hakodate	Small	44
10.	Azabu Sendaizaka Hills	Tokyo	Family	7
11.	Crown Building	Tokyo	Family	2
12.	Residence Motoki	Fukuoka	Family	11
13.	Wealth Fujisaki	Fukuoka	Family	10
14.	Rise Shimodori EXE	Kumamoto	Small	16
			Medium	16
Total				386

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This corresponds with our Directors' view on the demographic trends in Japan where students and young people are moving from suburban areas to major cities for education and employment opportunities. The trend of low marriage rates and low birth rates in Japan are also in line with our Directors' expectation of demand for small and medium units in the long term.

Operational procedures and policies relating to our investment activities

Investment committee

We have established an investment committee with full authority to handle all investment related matters to maintain effective investment of our Group's assets and to formulate and oversee the investment policies and management of our assets. The primary duties of the investment committee is, amongst other things:

- establishing our Group's investment strategies and guidelines;
- monitoring the performance of our Group's investments and ensuring that it is in accordance with our Group's investment strategy;
- overseeing the adoption of appropriate risk management policies and procedures to manage to the extent possible, market, liquidity, operational, credit and other investment and asset management risks;
- developing and implementing policies and operational structure for the investment activities;
- reporting to our Board and identifying any matter in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
- reviewing and monitoring the real estate investment operations in accordance with the policies and procedures set out in our internal manual and all applicable laws, regulations and codes.

Investment committee meetings are held every quarter or more frequently as deemed necessary by the investment committee members. As at the Latest Practicable Date, our investment committee comprised Mr. Ip as chairman and Mr. Chang, Ms. Leung and Ms. Ho as members. Please refer to the section headed "Directors, senior management and employees" of this document for details regarding the experience of the members of our investment committee.

Relating to Mr. Ip and Mr. Chang's experience in real estate investment in Japan, Mr. Ip is currently the chairman of JRAM SG, and Mr. Chang was previously an executive director/co-chief executive officer and is currently the head of investment and special projects of JRAM SG. JRAM SG is the manager of Saizen REIT, a REIT listed on the Singapore Exchange Securities Trading Limited since November 2007 which recently in March 2016 sold its entire portfolio of real estate assets to Triangle TMK (a Japanese affiliate of Lone Star Funds, a global real estate private equity firm)^(Note).

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We consider that in running JRAM SG, Mr. Ip and Mr. Chang honed their financial skills that are of value to our Group both in its own affairs and as an adviser to others. One example of these skills involved the resolution of commercial mortgage backed securities ("CMBS") loan maturity default issues faced by special purpose entities belonging to Saizen REIT during the onset of the global financial crisis in 2008. To minimise financing risks, Mr. Ip and Mr. Chang had originally ensured that the borrowings were non-recourse to Saizen REIT and had minimised cross-collateralisation of these borrowings among each special purpose entity. We consider that this was a prudent and wise decision since one of the CMBS loans held by one of Saizen REIT's special purpose entities faced pressure to repay when its maturity became due in November 2009 and refinancing was not available. Mr. Ip and Mr. Chang confirmed that based on their relationship with the creditors and new lenders, together with the implementation of a partial divestment program, they achieved full repayment of the loan by May 2011.

Another example is their involvement in Saizen REIT's aforesaid disposal of its entire portfolio of real estate assets, at a premium to valuation of the portfolio, to Triangle TMK.

Note: The sale proceeds were substantially returned to Saizen REIT's unitholders in March 2016. Saizen REIT announced the proposal and the JRAM Sale on 15 August 2016, as elaborated on page 118 of this document.

Investment and divestment for real estate

Objective and strategy

When investing in Japan properties, our objective is to receive steady income or achieve capital appreciation. To achieve this, our strategy is to focus on freehold properties in major cities and city centres of regional hubs. Going forward, our Group intends to balance our portfolio risk through broadening our portfolio to include different types of real estate assets (such as commercial and retail) and geographical location (in major cities of Japan where we have no property interests). We also intend to continue our practice adopted throughout the Track Record Period of undertaking investment in Japan properties in which our Group has at least a controlling stake.

Procedures and policies

Set out below is a summary of the general procedures and policies relating to our investment and divestment activities for real estate.

Steps	Description
1. Identification of investment/divestment opportunity	<ul style="list-style-type: none">– Receipt of information of investment/divestment opportunity– Preliminary review by investment committee taking into account factors such as location and asking price– If abovementioned review is deemed satisfactory, proceed to due diligence

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Steps	Description
2. Due diligence and analysis	<ul style="list-style-type: none"> – For investments, conduct due diligence such as site visit, legal due diligence on title and boundary (surveyor is engaged to inspect the boundaries of a property and check boundary markings on the ground, if available, against public record in the relevant land registry), commissioning of valuation report and engineering report etc. – Background and credentials checks on the seller/buyer are conducted – Analysis is conducted based on information provided by agents and asset manager taking into account, amongst other things, the asking/offer price, the historical performance of the property under consideration, the location, the expected rental income, the expected operating costs
3. Review and approval by investment committee	<ul style="list-style-type: none"> – Investment committee reviews the analysis and findings of the due diligence and considers, amongst other things, (i) the acceptable asking/offer price; (ii) the financial resources of our Group at the time (for investments, whether external financing is required, for divestments, the settlement terms for existing borrowings); (iii) whether the investment/divestment opportunity is in line with our investment strategy; (iv) the specific risks related to the property; and (v) the proposed property manager and asset manager – Approval by the investment committee may be granted conditional on asking/offer price or where necessary, satisfaction of further due diligence or other conditions as appropriate
4. Execution and completion	<ul style="list-style-type: none"> – Subject to acceptance of the approved terms by the counterparty after negotiation, execution of sale and purchase agreement – Where applicable, setting up of TK structure and execution of related documents, including our TK Agreements, loan documents if any, agreement with property manager and asset manager etc.

Monitoring of the performance of our Properties

With regards to our property investment activities in Japan, our Group has engaged (i) local independent property managers to manage the day-to-day operation of our Properties in Japan; and (ii) local accounting firms to perform the accounting and administrative functions of the TK Operators holding the assets (please refer to the section headed “Connected transactions” of this document for details). During the Track Record Period, our Group also engaged an asset manager to monitor and report on the performance of these service providers.

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Property manager

During the Track Record Period, our Group engaged, through the TK Operators, seven independent local property managers to perform certain daily functions in respect of our Properties. The responsibilities of such property managers include:

- (i) lease management services, such as sourcing for potential tenants and conducting tenant screening in line with the applicable guidelines set by the asset manager as pre-determined by our Group;
- (ii) contract management services, comprising rent collection, communication between the TK Operators and the tenants and responding to complaints by tenants;
- (iii) building management services, for instance, co-ordinating services relating to the upkeep and maintenance of our Properties and their facilities, identifying the renovation and improvement work necessary to be carried out in each forthcoming year and preparing an annual budget for such renovation and general administration of our Properties in Japan; and
- (iv) preparation of monthly reports to our Group setting out, amongst other things, information relating to the rent roll, new leases, any expiration/cancellation of leases, operational activities, maintenance activities and account receivables aging report.

When selecting a property manager, our Group takes into account, amongst other things, the experience of the property manager, its reputation, the proposed fees and quality of service.

Property managers' fees, negotiated on normal commercial terms and at arm's length basis, are charged on a monthly basis as a percentage of actual rental income received and generally range from 3.0% to 5.0%. In the event where the property manager also sources tenants for our Properties in Japan (instead of outsourcing such work to leasing agents), our Group also pays them a commission fee at the prevailing market rate (in general equivalent to one to two months' of rent). During the years ended 31 March 2015 and 2016, our Group incurred approximately HK\$0.7 million and HK\$0.8 million of property management fees respectively.

The terms of the agreements entered into with the property managers are for one year, renewable on the same terms for another year by written notice of either party subject to objection raised by the other party. The agreements entered between our Group and the property managers may be terminated with two-month written notice without reason or immediately in the case of material breach of contract by either party. The investment committee reviews the performance of the property managers at least once a year or more frequently as deemed necessary taking into account the performance indicators of the relevant Properties in Japan such as the occupancy status, the rental reversion and feedback from the asset managers. During the Track Record Period, our Group had not terminated any engagement of property managers.

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Asset manager

During the Track Record Period, our Group had entered into asset management agreements with KK Tenyu AM, an associate, to provide asset management services in relation to our Properties in Japan. Given our understanding of KK Tenyu AM's intention to diversify its business scope to include investment management in Japan and allocate resources away from asset management, our Group had engaged an additional asset manager, who is an Independent Third Party, for three of the TK Operators, subsequent to the Track Record Period. When selecting an asset manager, our Group takes into account, amongst other things, the asset manager's experience in relation to the type of properties held by our Group, its reputation, the proposed fees and quality of service. Responsibilities of an asset manager include, amongst other services, providing advice and assistance in connection with the TK Operators' daily operations such as establishing operating budgets and annual plans for the operation, management, marketing and maintenance of our Properties and advising the selection of property managers and monitoring their performance.

Pursuant to the agreements entered into between our Group and the asset manager, the asset management fee for ongoing services is charged at 1.0% of all revenue (including but not limited to rent, fees for common services, parking fees, signboard fees and antenna fees) of the property-holding business. Should the asset manager assist our Group in relation to an acquisition of property, a fee equal to 1.0% of the acquisition price of such property shall also be charged. All fees are determined at arms' length and on normal commercial terms. During the years ended 31 March 2015 and 2016, our Group incurred approximately HK\$0.1 million and HK\$0.2 million of asset management fees respectively.

The agreements entered between our Group and the asset manager may be terminated with three-month written notice without reason or immediately in the case of material breach of contract by either party. Unless notified in writing three months prior to expiry, all asset management agreements, with a term of one year, are automatically renewed at expiry and extended for a period of another year. The investment committee reviews the performance of the asset manager at least on an annual basis or more frequently as deemed necessary by members of the investment committee taking into account the performance of our Properties and the property managers.

Reporting

To facilitate monitoring of the performance of our Properties in Japan as well as the property managers and asset managers, the following reports are required to be presented to the investment committee:

Report	Frequency	Prepared by	Key contents/purpose
Vacancy report	Weekly	Property manager	Latest occupancy status of our Properties in Japan, including number of vacant units, duration of such vacancies and lease application status for vacant rooms, if any

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Report	Frequency	Prepared by	Key contents/purpose
Property management report	Monthly	Property manager	Summaries of rent roll, cash flow, rental collection, capital expenditure etc.
Waterfall report	Monthly	Accounting service provider	For monitoring of debt servicing ability of each TK Operator which has obtained borrowings
Real estate investment report	Quarterly	Our Group's internal staff	Analysis on the overall performance of the whole real estate investment portfolio (Japan and Hong Kong), including occupancy rate, rental reversion, average rental rates, debt profile etc.

The investment committee will monitor the performance of our Properties through reviewing the above reports. In the event where performance is below expectation, our Group will contact the asset manager to understand the circumstances and take remedial actions (such as change of property manager) as necessary.

Other investment activities

From time to time, the investment committee will set a limit or threshold for investment purposes other than real estate. Our other investments may be carried out with the objective of receiving steady income (e.g. dividend) or capital appreciation which may diversify the risks of the cyclical market fluctuations in the corporate finance activities in Hong Kong. Whilst our other investments generally take the form of equity securities, our chief investment officer may decide to make our Company's investment in any of the asset classes authorised by the investment committee with a medium to long term investment horizon.

Such limit or threshold is to be determined with reference to our Group's available free cash and endowment at the prevailing time. Subject to the asset class of the proposed investment, appropriate criteria or conditions will be set by the investment committee prior to the execution of the investment, in order to ensure that the investment is in accordance with our Group's investment strategy. Such criteria and conditions are subject to the investment committee's review and amendment as appropriate.

During the Track Record Period, the investment committee had granted our chief investment officer the discretion to invest in financial instruments issued by (i) companies listed on recognised stock exchanges; or (ii) authorised institutions (as defined under the Banking Ordinance) within the limit of US\$1.0 million. Our other investments, which comprised equity securities listed in Hong Kong and Singapore only, recorded an average loss of approximately 4.6% for the year ended 31 March 2015, and an average return of approximately 37.0% for the year ended 31 March 2016. The average loss for the year ended 31 March 2015 was mainly due to the strengthening of Hong Kong dollars against Singapore

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dollars during the year which reduced the return of our Singapore investments in Hong Kong dollar terms. For further details on the type of equity securities invested by our Group, please refer to the paragraph headed "Available-for-sale investments" under the section headed "Financial information" of this document.

Monitoring

Our securities interests are held through accounts with independent securities brokerage houses which provide daily trading reports on a transaction basis to all members of the investment committee. To prevent excess trading over the threshold approved by the investment committee, it is our Group's policy not to obtain margin financing, limiting our exposure to the cash amount maintained in the abovementioned accounts.

Our finance and accounts department is responsible for monitoring the amount in our trading accounts maintained with independent securities brokerage houses to ensure that the aggregate amount does not exceed the threshold approved by the investment committee. Any excess trading must be authorised by the investment committee whilst approval must be obtained from at least two executive Directors to transfer resources into our trading accounts. The performance of our securities portfolio is presented to our executive Directors at least once a month and the investment limit reviewed by the investment committee at least once a quarter. Such limit is monitored by the investment committee on an ongoing basis taking into account the market climate, the liquidity position of our Group and the performance of the current portfolio.

CUSTOMERS

Corporate finance

We provide our services to a variety of clients such as listed companies in Hong Kong and companies seeking to list on Main Board and/or GEM. During the year ended 31 March 2015, out of the 50 active engagements, 30 originated from 17 recurring clients. During the year ended 31 March 2016, out of the 65 active engagements, 37 originated from 22 recurring clients. Demand for our corporate finance services is generally received on a project-by-project basis, as such, the fee for the services we offer varies on a transaction-to-transaction basis. We consider the complexity of the transaction and the estimated time commitment of our team, when deciding on a price. The general market conditions will also be factored into our fee quotations. As our payment schedule is usually progress-based, revenue to be recognised during specific periods may vary depending on the progress of our transactions on hand.

Key terms of contract

We set out below a summary of the key terms of our corporate finance services mandate:

Scope of work, deliverables and term of contract

The scope of work and the obligation of the contracting parties, including the type of deliverables (if any), and the term of contract, will be specified in our mandates with our clients.

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Fee structure and payment

In general, other than compliance advisory services for which a periodic fixed fee is charged, our payment schedules are designed to trace the progress of the transaction in question with payment falling due upon achievement of key milestones. We request our clients to settle our invoices by cheque payable to Altus Capital or Altus Investments, or direct transfer to a designated bank account of Altus Capital or Altus Investments. For services provided during the Track Record Period, our Group did not experience any default of payment.

Confidentiality

In the course of providing our corporate finance services, we may obtain information from client companies which is price sensitive. It is stipulated in our mandate that information received is confidential, save for the situation where any of the contracting parties are required by applicable laws, rules or regulations to report or surrender to government authorities.

Termination and indemnity

Either the client or our Group may terminate the engagement in the event that the other party commits a material breach of the terms set out in the related mandate. Further, our Group is entitled to terminate the engagement at any time without any liability or continuing obligations if our Group comes to notice a material factor which will in our Group's opinion make it inadvisable to proceed with the said engagement.

In order to limit any potential liability arising from the provision of corporate finance services, there is a clause in our letter of engagement whereby our client will fully indemnify and hold harmless of our Group from and against any and all losses, claims, costs, expenses, damages, actions, proceedings, demands or liabilities of any nature whatsoever, joint or several, that may be made or established against our Group and related costs arising out of the performance of Altus Capital and/or Altus Investments of its obligations under the relevant engagement. Our Directors confirmed that since Altus Capital and/or Altus Investments' establishment and up to the Latest Practicable Date, it had not been subject to nor received any claims resulting from services provided to its clients.

Investment activities

We lease units of our Properties to individuals and corporations in Japan and Hong Kong. As disclosed in the paragraph headed "Characteristics of the types of residential units" in this section, the target tenant profile of the residential units of our Properties in Japan includes students, young working singles and families. Our Group adopts a standard building lease (as further elaborated in the paragraph headed "Standard building lease" under the section headed "Regulatory overview" of this document) for the leasing agreements entered into with tenants of our Properties in Japan, which is the common type of lease adopted for residential units in Japan. In general, rent is determined with reference to the market and is payable on a monthly basis.

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During the Track Record Period, we leased an office unit in Hong Kong to an Independent Third Party as a commercial office. Unlike the aforesaid standard building lease in Japan, the duration of our lease agreement in Hong Kong has a fixed period. Rent is determined with reference to the market and is payable on a monthly basis.

Five largest customers

For the year ended 31 March 2015, the largest customer of our Group accounted for approximately 8.3% of our Group's revenue. During the same period, the five largest customers of our Group accounted for, in aggregate, approximately 24.7% of our Group's revenue. For the year ended 31 March 2016, the largest customer of our Group accounted for approximately 8.0% of our Group's revenue whilst the five largest customers of our Group accounted for in aggregate, approximately 27.9% of our Group's revenue. Save for Tenant A, all of our five largest customers during the Track Record Period were clients of our corporate finance advisory services business.

The following table sets out the approximate revenue from our five largest customers, the service we provided and the length of our business relationship for the years ended 31 March 2015 and 2016.

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For the year ended 31 March 2015

Customer	Customer business nature	Service type	Revenue recognised <i>HK\$'000</i>	% of our total revenue	Business relationship since
Client A	Provision of design and fitting-out services and design and procurement of furnishing and materials	Sponsorship and compliance advisory	2,865	8.3%	2013
Client B	Provision of securities brokerage, securities-backed lending and placing and underwriting services	Pre-sponsorship financial advisory and sponsorship	1,711	5.0%	2014
Tenant A	Provision of recruitment consultancy	Leasing of office premises in Hong Kong	1,617	4.7%	2013
Client C	Engagement in manufacturing customised liquid and powder coatings	Sponsorship	1,173	3.4%	2014
Client D	Engagement in property investments, property development, garment sourcing, trading and export businesses, loan financing and investment and trading in securities	Financial advisory	1,136	3.3%	2003
Total			8,502	24.7%	

BUSINESS

For the year ended 31 March 2016

Customer	Customer business nature	Service type	Revenue recognised HK\$'000	% of our total revenue	Business relationship since
Client I	Provision of financial printing services	Sponsorship	3,843	8.0%	2015
Client B	Provision of securities brokerage, securities-backed lending and placing and underwriting services	Sponsorship and compliance advisory	2,811	5.8%	2014
Client F	Provision of corporate finance, aerospace financing/leasing, business consultancy and capital market services	Sponsorship	2,363	4.9%	2015
Client G	Provision of civil engineering consulting services	Pre-sponsorship financial advisory and sponsorship	2,321	4.8%	2015
Client H	Provision of scaffolds and scaffold related services	Sponsorship	2,075	4.4%	2015
Total			13,413	27.9%	

During the Track Record Period, none of our Directors, their respective associates or the existing Shareholders who own more than 5.0% of our Company’s issued share capital have or have had any material interest in our five largest customers. All of our five largest customers (whom, save for Tenant A, were either listed companies or companies seeking a listing in Hong Kong) for the years ended 31 March 2015 and 2016 were Independent Third Parties. Save for KK Tenyu AM, our associate, from whom we received (i) an introductory fee for the referral of customers; and (ii) marketing service income (included in other income), and to whom we paid a consultancy fee, a listing related matters fee, an asset management fee and a guarantee fee, none of the customers of our Group are also our suppliers. Please refer to the paragraph headed “Related party transactions” under the section headed “Financial information” of this document for more details. During the Track Record Period, we received no complaints from our customers.

BUSINESS

SALES AND MARKETING

Our Group procures clients via the personal and business networks of our executive Directors and advisory team members. In addition, we also enjoy referrals from clients as well as professional parties such as lawyers and accountants with whom we have previously collaborated. During the Track Record Period, our Group had not incurred any referral fees. Going forward, we anticipate the listed status of our Group will increase public awareness of our Group and further consolidate our reputation as a corporate finance service provider, thereby enhancing our ability to attract new clients. We endeavour to provide professional services backed by strong technical knowledge and commercial awareness to encourage word of mouth recommendation by parties we collaborate with.

SUPPLIERS

Due to the nature of our corporate finance services, our corporate finance business has no suppliers. In relation to our investment activities, as disclosed in the paragraph headed "Monitoring of the performance of our Properties" in this section, our Group engages property managers and asset managers to aid with the maintenance of our Properties in Japan. In this regard, our suppliers are all based in Japan.

Five largest suppliers

For the years ended 31 March 2015 and 2016, Supplier A was our largest service provider, in terms of costs incurred by our Group, and accounted for approximately 9.0% and 7.7% of our property expenses respectively.

During the year ended 31 March 2015, services obtained from our five largest suppliers accounted for approximately 17.2% of our property expenses whilst the five largest suppliers for the year ended 31 March 2016 accounted for approximately 17.3% of our property expenses. The following table sets forth the particulars of our five largest suppliers for the years ended 31 March 2015 and 2016.

For the year ended 31 March 2015

Supplier	Service provided	Transaction amount HK\$'000	Percentage of property expenses	Business relationship since
Supplier A	Property management	594	9.0%	2003
Supplier B	Property management	170	2.6%	2013
KK Tenyu AM	Asset management	148	2.2%	2007
Supplier C	Property management	114	1.7%	2011
Supplier D	Property management	112	1.7%	2010
Total		1,138	17.2%	

BUSINESS

For the year ended 31 March 2016

Supplier	Service provided	Transaction amount HK\$'000	Percentage of property expenses	Business relationship since
Supplier A	Property management	539	7.7%	2003
Supplier E	Property management	251	3.6%	2015
KK Tenyu AM	Asset management	168	2.4%	2007
Supplier C	Property management	136	1.9%	2011
Supplier B	Property management	115	1.7%	2013
Total		1,209	17.3%	

As at the Latest Practicable Date, with the exception of KK Tenyu AM, which is our associate, all of our subsisting suppliers were Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, we had no long term agreements with any of our top five suppliers.

REGULATIONS AND LICENCES

Our Group has obtained all material licences, permits or certificates necessary to conduct our business from the relevant governmental bodies in Hong Kong. Our Group complies with all applicable laws, regulations, rules, codes and guidelines in Hong Kong which are material to the business and operations of our Group. We set out further details of our licences below:

Type of licence	Effective date	Scope of license	Status
SFO Type 1 licence	14 December 2005	Licence under the SFO to carry out Type 1 (dealing in securities) regulated activity with the conditions that the licensee (i) shall not hold client assets; (ii) shall seek the SFC's prior approval before extending services at retail level; and (iii) shall not engage in dealing activities other than those relating to corporate finance	Valid

BUSINESS

Type of licence	Effective date	Scope of license	Status
SFO Type 4 licence	12 January 2005	Licence under the SFO to carry out Type 4 (advising on securities) regulated activity	Valid
SFO Type 6 licence	12 January 2005	Licence under the SFO to carry out Type 6 (advising on corporate finance) regulated activity with the condition that the licensee shall not hold client assets	Valid
SFO Type 9 licence	12 January 2005	Licence under the SFO to carry out Type 9 (asset management) regulated activity with the condition that the licensee shall not provide a service of managing a portfolio of futures contracts of another person	Valid
Money Lenders Licence (No. 1263/2015)	28 October 2015 – 28 October 2016	Allows a person to lend money in Hong Kong	Valid

SFC licences

The securities market in Hong Kong is highly regulated. The principal regulatory bodies governing our business are the SFC and the Stock Exchange. Our business, and our licensed personnel, are subject to a number of legislations, regulations and the respective rules of the Stock Exchange and, upon [REDACTED], the GEM Listing Rules. In particular, in order to carry on our business, Altus Capital and Altus Investments are respectively required to be licensed with the SFC, namely licensed under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as well as Type 1 (dealing in securities) regulated activity.

BUSINESS

As at the Latest Practicable Date, there were 17 persons licensed with the SFC and can carry out regulated activities for our Group, of whom 4 had been approved as Responsible Officers, and thus there were 13 Licensed Representatives. The Responsible Officers and, where relevant, Principals, for our Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO as at the Latest Practicable Date were as follows:

Type 1 regulated activity (dealing in securities)	Mr. Ip Mr. Chang Ms. Leung Ms. Ho
Type 4 regulated activity (advising on securities)	Mr. Ip Mr. Chang Ms. Ho
Type 6 regulated activity (advising on corporate finance)	Mr. Ip (Principal) Mr. Chang (Principal) Ms. Leung
Type 9 regulated activity (asset management)	Mr. Ip Mr. Chang Ms. Ho

Our Group's services are predominantly provided by our Responsible Officers and Licensed Representatives, and it is of significant importance that all of them remain at all time fit and proper for the abovementioned regulated activities for the purpose of their respective SFC licences. Moreover, each of them should remain competent in carrying on services related to their respective licences, including sufficient industry knowledge and experience, and be abreast of the latest developments of all applicable rules, regulations and laws. In this regard, our Group regularly provides mandatory internal training to all our licensed personnel.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all requisite licences for conducting our business activities. In particular, our Directors confirm that Altus Capital and Altus Investments, as licensed corporations under the SFO and for the former, a licensed money lender, were in compliance with all applicable rules, legislations, codes and guidelines which are material to our operations. Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not receive any objection from the SFC or other relevant authorities in relation to the maintenance of our licences. Please refer to the section headed "Regulatory overview" of this document for details of the relevant laws, rules and regulations regarding our licences.

BUSINESS

Money lenders licence

Hong Kong's money lending industry is regulated and money lenders are required to be licensed as such under the Money Lenders Ordinance. The primary regulators of the money lending industry in Hong Kong include the Licensing Court, the Registrar of Money Lenders and the Commissioner of Police.

Under our current Money Lenders Licence, Altus Capital is licensed under the Money Lenders Ordinance to carry out money lending activities for a period from 28 October 2015 till 28 October 2016. The Money Lenders Licence was obtained with the view to explore other business opportunities. Our executive Directors confirm that as at the Latest Practicable Date, our Group had no intention to pursue the line of business involving money lending activities.

Our Group intends to maintain its Money Lenders Licence, renewing when necessary, to provide us with the flexibility to take advantage of any opportunities if and when they arise. Our Group is required to comply with certain filing requirements, namely notification of any changes in certain details of our company, as well as our Directors and Shareholders etc., as required by the Money Lenders Ordinance. Our finance and accounts department is responsible for our Group's ongoing compliance with such requirements. Save for such requirements and a nominal annual fee, there are no further fees payable or requirements to comply with in order to maintain our Money Lenders Licence. Our Directors are of the view that, given these minimal regulatory and financial requirements, it is in the interests of our Group to maintain such licence in case opportunities arise.

COMPETITION

Corporate finance services

Highly regulated with licensing requirements, the Hong Kong corporate finance industry presents potential new entrants with barriers to entry. Additionally, given the demand for corporate finance services is on a project-by-project basis, relevant industry experience and an extensive network of contacts are vital for deal flow, limiting the number of new entrants into the corporate finance industry. As at 31 December 2014 and 2015, there were respectively 973 and 1,024 licensed corporations licensed to carry out Type 1 (dealing in securities) regulated activity, 928 and 987 licensed corporations licensed to carry out Type 4 (advising on securities) regulated activity, 267 and 275 licensed corporations licensed to carry out Type 6 (advising on corporate finance) regulated activity and 1,031 and 1,135 licensed corporations licensed to carry out Type 9 (asset management) regulated activity. Further, as at the Latest Practicable Date, there exist 101 entities that are licensed sponsors in Hong Kong. Our Group considers companies seeking to list, as well as any listed company, to be our potential clients. According to the SFC, there were 122 and 138 new listings for the years ended 31 December 2014 and 2015 with the number of listed companies on the Main Board and GEM reaching 1,883 by 31 March 2016.

BUSINESS

Our Directors believe that considering the significant number of other corporations licensed to carry out Types 1, 4, 6 and 9 regulated activities and licensed as sponsor under the SFO respectively, our Group must compete with these other competitors principally in the areas of experience, price, speed and quality of output and market reputation. The fees chargeable for corporate finance services can fluctuate due in part to volatility in the capital markets and according to the level of demand across the industry. Our Directors believe it is important to possess sufficient operational capacity to harness opportunities when they arise whilst avoiding surplus headcount, which may affect our Group's profitability. In addition, the Listing Rules, the GEM Listing Rules and the Takeovers Code are evolving and as such our expertise may become more sought after as clients look to us to aide their understanding in and compliance with the stringent regulations. Our Directors believe our Group has to compete on client relationship, name recognition, resources, technical competence and pricing.

Property investment

The property market in Japan although capital intensive in nature, is not subject to any restriction in terms of ownership. Individual or corporation, be it domestic or foreign, may invest in Japanese real estate. With regards to the existing Japan property investment industry, our Directors believe the Japan real estate market is active and our Group and its competitors compete primarily on price and speed. In times of high activity, when the pace of the market is quick, expedient decision-making and strong knowledge is required. In this regard, our Directors believe that it is also important to have a good relationship with a network of sellers and property agents so that potential deals are referred in a timely manner in order to be ahead or at least in line with competing bidders or sellers.

Given that (i) real estate property is a generic asset class with a diverse range of supply, with potential investors who widely differ in terms of their investment strategy, preference, strength of financial backing; (ii) there is no restriction on foreign ownership of real estate property in Japan; and (iii) the scale of our investment portfolio (which counts for an insignificant share of the overall Japanese real estate market), our Directors do not foresee any competition that may materially affect our ability to invest in line with our investment strategy with the aim of generating steady recurring income.

For more details on the industries we operate in and the competition we currently face, please refer to the section headed "Industry overview" of this document.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

Under the Code of Conduct, a licensed corporation should have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, clients and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions. In general, "internal controls" represent the manner in which a business is structured and operated so that reasonable assurance is provided regarding:

- (a) the ability to carry out the business in an orderly and efficient manner;
- (b) the safeguarding of our Group's and our clients' interests;
- (c) the maintenance of proper records and the reliability of financial and other information used within and published by the business; and
- (d) compliance with all applicable laws and regulatory requirements.

We believe that by maintaining and upholding a rigorous set of internal controls, it will build our reputation in the market and increase clients' confidence in our Group. We maintain internal manuals setting out operating procedures, internal control procedures, and other policies and guidelines. We place an emphasis on professional ethics which all employees, including but not limited to the licensed personnel, are required to strictly abide by. Our Directors are responsible for the implementation of these policies and guidelines and they believe that such policies and guidelines can ensure our Group's ability to carry out our business in an orderly, efficient and professional manner, to ensure that there is no leakage of confidential information, to safeguard our Group's and our clients' interests and to comply with all applicable laws and regulatory requirements. We have engaged an independent internal control consultant to conduct a review of our internal control systems and no material deficiencies were noted. In this regard, to enhance our internal control system, we have duly implemented the recommendations put forward by the independent internal control consultant.

In the ordinary course of our business activities, we are exposed primarily to (i) operational risk relating to our internal processes and our staff; (ii) regulatory risk in respect of compliance with the relevant rules and regulations; (iii) anti-money laundering and related risks in respect of illegal or improper use of our operations; and (iv) foreign currency risk relating to our overseas investment interests.

Operational risk management

Corporate finance

We have developed and implemented our operational procedures in compliance with the Code of Conduct. Please refer to the paragraph headed "Corporate finance operational procedures" in this section for details regarding the operational procedures in relation to our corporate finance services.

BUSINESS

Staff involved in provision of regulated activities must be licensed with the SFC as a Responsible Officer or Licensed Representative. We have formulated a policy for our recruitment, licensing and training for licensed staff to ensure that they are properly recruited, appointed, licensed and trained. We aim to employ persons who are fit and proper and competent to perform the duties for which they are employed for. We also (i) staff at least one Responsible Officer for each project; and (ii) handle confidential information with due care, in accordance with our Group's internal operation and compliance manuals. We hold regular staff training sessions, generally around twice a month, in which members of our corporate finance department discuss (either internally or with other market practitioners invited to speak at our training sessions) various aspects of the corporate finance industry and the relevant regulatory regime.

We maintain a restricted list of securities, the issuers of which our Group may have received material information or has been retained to provide advice. The trading of securities on the restricted list for our Group's own accounts and for employees and related accounts are strictly prohibited. Moreover, written approval is required to be obtained from a Responsible Officer prior to all trading activities by our employees.

We keep proper books and records for all transactions undertaken by us and are kept for at least seven years.

Investment activities

Please refer to the paragraph headed "Operational procedures relating to our investment activities" in this section for details relating to our operational procedures regarding our investment activities. As mentioned under the same paragraph, our Group has appointed property managers to handle the day-to-day operations of our Properties in Japan and an asset manager to monitor and report on such property managers.

Others

We have established accounting procedures for our back office operations. Our escalation policy provides for open channels of communication to ensure significant information or incidents of internal control weaknesses and breaches of laws, rules, regulations and regulatory guidelines are escalated and reported in a timely manner so that we can take necessary remedial actions effectively. We also have a whistle-blowing mechanism in place to provide a channel for all staff to report any suspected misconduct or malpractice within our Group to the audit committee.

BUSINESS

Regulatory risk management

Our Group is subject to a number of different regulatory requirements, and our licensed corporations are required to comply with the FRR requirements, including maintaining adequate capital and liquid capital at all times. Our finance and accounts department is responsible for the preparation of the financial returns according to the requirements under the FRR. Our Responsible Officer(s) will review and sign off the financial returns which shall be submitted no later than the 21st day of each calendar month for Altus Investments and the 21st day after the closing of the calendar months June and December for Altus Capital. The finance and accounts department is also responsible for the monitoring of our compliance with the FRR on an ongoing basis.

Our Group and licensed persons are obliged to notify the SFC immediately in accordance with the notification requirements of the Code of Conduct and/or other guidelines, rules and regulations, where applicable. The requirement of notification extends to any material breach, infringement or non-compliance of market misconduct provisions set out in Part XIII or Part XIV of the SFO reasonably suspected to have been committed by customers, giving particulars of the suspected breach, infringement or non-compliance and relevant information and documents.

Our Directors confirm that our Group complies with all applicable laws, rules and regulations in all material respects in Hong Kong and Japan and that during the Track Record Period and up to the Latest Practicable Date, no disciplinary action was taken against any of our members and/or our employees. Since obtaining their respective licences under the SFO, Altus Capital and Altus Investments had been subject to three (a prudential visit in 2007 and inspection visits in 2009 and 2012 respectively) and two (a prudential visit in 2007 and an inspection visit in 2012) on-site reviews by the SFC respectively. With respect to the latest inspections in 2012, Altus Investments was informed in January 2013 by the SFC that a limited review of the high level controls relating to Altus Investments' business activities had been completed, while Altus Capital received comments on controls relating to its business activities from the SFC in April 2013. Set forth below is a summary of their comments and our rectification measures with respect to the on-site review on Altus Capital in 2012.

Comments from the SFC

Rectification measures

Insufficient due diligence on
(i) profit forecast of a sponsorship client including failure to properly assess the reasonableness of assumption on gross profit margin; and
(ii) confirmed sales order in the forecast memorandum.

– Such observation had been duly noted and our Directors confirm that since May 2013, we have adopted a more prudent and critical approach when reviewing profit forecasts in respect of sponsorship activities.

BUSINESS

Comments from the SFC	Rectification measures
Poor documentation in respect of work done with regards to deal acceptance and independence check of sponsorship activities	<ul style="list-style-type: none"> – Internal control procedure has been enhanced since June 2013 whereby a memorandum setting out amongst other things, results of potential conflict of interests and independence checks, findings of know-your-client work and related assessment must be prepared and presented to a Responsible Officer for review and approval before the mandate is signed. – Such procedure is clearly set out in our operational manual (which is provided to all advisory team members) and is further emphasised during our training from time to time. Please refer to the paragraph headed "Corporate finance operational procedures" of this section for further details.
Lack of annual assessment to ensure Altus Capital's systems and controls are effective for ensuring compliance with sponsor related rules and regulations	<ul style="list-style-type: none"> – Since May 2013, the Responsible Officers are required under our internal policy to perform assessment at least annually or more frequently if deemed necessary, on Altus Capital's systems and controls. Altus Capital will continue to review and where necessary to enhance the coverage of the annual review for ensuring compliance with sponsor related rules and regulations. In addition, Altus Capital will include systems and controls relating to sponsorship work as part of annual internal audit to be performed by independent internal control consultant.
Erroneous financial returns as of December 2012 (overstatement of liquid capital of Altus Capital due to exclusion of net liabilities of a subsidiary and deferred tax liabilities)	<ul style="list-style-type: none"> – Our finance and accounts department, responsible for the preparation of the financial returns, as aforementioned, and all Responsible Officers (who review and sign off the financial returns) were made aware immediately after receiving comments from SFC in April 2013.

Other than the aforementioned, our Directors confirm that our Group had not received further comments from the SFC from such on-site reviews up to the Latest Practicable Date.

BUSINESS

Compliance with the Personal Data (Privacy) Ordinance

In the course of our business, our Group has in its possession private and confidential personal data, and as such our operations in relation to such data are regulated by the PDPO. In particular, our Group falls within the definition of "data user", which is defined in the ordinance as "a person who, either alone, jointly or in common with other persons, controls the collection, holding, processing or use of the data" and hence is subject to the principles set out in the PDPO regarding the collection, use, retention, accuracy and security of and access to personal data. In this regard, our Group has established policies and procedures to ensure our compliance with the PDPO.

Anti-money laundering and counter-terrorist financing risk management

All our staff members are required to adhere to the requirements set out in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) and the SFC Guideline on Anti-Money Laundering and Counter-Terrorist Financing and any update in relation thereto. Our compliance manual includes the requirements of the said ordinance and guidelines, and all staff are required to refer to the compliance manual and all subsequent versions of update for detailed procedures and to comply with the requirements accordingly.

Our Group has put in place know-your-client and deal acceptance procedures as detailed in the paragraph headed "Corporate finance operational procedures" in this section to identify and prevent money laundering and counter-terrorist financing. For all client-related files, we maintain proper books and records which are readily accessible for at least seven years so that we can trace and provide to the SFC upon request any client data when necessary. During the Track Record Period we are not aware of any customer that caused any suspicions of conducting money laundering or terrorist-financing.

In addition, to prevent the risk of being involved in money laundering activities unintentionally, we do not handle cash disbursements to and cash receipts from our customers in the course of conducting our business. To this end, we insist that all payments from customers or tenants are made via bank transfer, cheque or direct cash bank deposit.

Foreign currency risk management

As a substantial part of the income derived from our investment portfolio is denominated in JPY and to a lesser extent, SGD, our Group is exposed to risks arising from fluctuations in exchange rate between JPY and SGD and HK\$. In particular, as our Group adopts HK\$ as the reporting currency, our financial performance is subject to the risks of exchange rate fluctuation during the translation process. If there had occurred a 20.0% change in the HK\$: JPY exchange rate or a 10.0% change in the HK\$: SGD exchange rate as at 31 March 2016, the resulting impact would have affected our Group's profit after tax by approximately HK\$1.9 million and HK\$0.7 million respectively. For further details, please refer to the paragraph headed "Sensitivity analysis on foreign currency risk" under the section headed "Financial information" of this document.

BUSINESS

To address this, we monitor the matching of the currencies of our debt with (i) the collateral assets; and (ii) the debt servicing income derived from our business activities. As at the Latest Practicable Date, loans to be serviced by rental income generated from and secured by our Properties in Japan were denominated in JPY; similarly, loans secured by our Properties (for investment and self-occupation) in Hong Kong were serviced by income derived from Hong Kong and denominated in HK\$.

Nevertheless, exchange gain or loss arising therein are unrealised and have no material impact on the operation or financial health of our Group. During the Track Record Period, our Group had obtained borrowings from financial institutions incidental to the acquisition of real estate interests under our investment portfolio. Our Directors are of the view that the abovementioned is sufficient to hedge our exposure to fluctuations in foreign currency exchange rates.

Interest rate management policy

To mitigate risks associated with fluctuations of interest rates, our Group, subject to reasonable terms, in general prefers to fix our interest rates in order to better anticipate our interest payments required on an ongoing basis. In particular, we do not engage in speculative trading of derivative instruments. We have entered into derivative financial instruments during the Track Record Period as a means to effectively fix the interest rate of our loans (for further details, please refer to the paragraph headed "Derivative financial instruments" under the section headed "Financial information" of this document). During the Track Record Period, we have entered into interest rate swaps in relation to bank borrowings from a bank in Japan with an aggregate loan principal of JPY605.0 million (equivalent to approximately HK\$39.1 million). As at 31 July 2016, being the latest practicable date to ascertain such information, the aggregate outstanding amount in relation to such borrowings amounted to approximately JPY429.1 million (equivalent to approximately HK\$32.6 million).

COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material non-compliance or systemic non-compliance.

LITIGATION

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation nor claims of material importance and no litigation or claims of material importance were known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

BUSINESS

INTELLECTUAL PROPERTY RIGHTS

Our Group currently owns the domain name *www.altus.com.hk*, being the principal website of our Group, which was registered on 30 October 2015 and is due to expire on 30 October 2016, subject to renewal. The registration prevents others from using our domain name during the subsisting registration period.

While we note there exist other businesses operating under the same or similar name to ourselves, due to the differing geographical locations and industries, our Directors believe that it is unlikely the general public will confuse these businesses with that of our Group. We note in particular for the specialised industry we operate in, we continue to be the sole party named "Altus" or a variation thereof to hold a license under the SFO. Up to the Latest Practicable Date, our Directors were not aware of any challenges by third parties against our Group's use of "Altus" in conducting our business. In the event of any such action brought by or against our Group, our Directors believe that we will be able to prove the goodwill and reputation of "Altus" under which our Group has been conducting our business since our establishment in 2000.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any intellectual property infringement claim which would have had a material impact on our business, financial conditions or results of operations. Further details of our intellectual property rights are set out in the paragraph headed "Intellectual property rights of our Group" in Appendix VI to this document.

STAFF WORKING CONDITIONS, TRAINING AND INTEGRITY

Details of our Group's general working conditions as well as remuneration and benefits of employment are set out in our employee handbook. Please refer to the paragraph headed "Employees" under the section headed "Directors, senior management and employees" of this document for further information. For our policy on staff dealing, and our policy on anti-money laundering/counter terrorist financing, details are set out in our internal control measures as described in the paragraph headed "Risk management and internal control" in this section.

PROPERTIES

Owned properties

The address of our principal place of business is 21 Wing Wo Street, Central, Hong Kong. We currently own and occupy the premises at this address as our headquarters. As at 31 July 2016, the abovementioned property was valued at HK\$62.0 million. The related valuation report with the appraised value of such property as at 31 July 2016 is set out in Appendix III to this document.

BUSINESS

As aforementioned in this section, our investment portfolio comprises real estate held as investment properties. As at the Latest Practicable Date, excluding the abovementioned self-occupied office premises, we held an interest in 14 buildings in Japan and one office unit in Hong Kong. The value of our Properties amounted to approximately HK\$383.3 million as at 31 July 2016. Valuation reports for our two properties in Hong Kong, with the appraised value of each property as at 31 July 2016, are set out in Appendix III and valuation reports for our Properties in Japan, with the appraised value of each Property, as at 31 July 2016 are set out in Appendix IV to this document. For more information on our Properties held through our investment portfolio, please refer to the paragraph headed "Investment activities" under this section.

Leased properties

During the Track Record Period and up to the Latest Practicable Date, our Group had not leased any properties.

INSURANCE

During the Track Record Period, we had maintained insurance coverage for our office premises and investment Property in Hong Kong for loss due to fire, flood and natural disasters, or personal injury, as well as insurance coverage for our employees pursuant to Employees' Compensation Ordinance. We also provide medical insurance to our employees.

Our Properties in Japan are insured in a manner consistent with industry practice in Japan. Their coverage includes fire accident and damages from earthquake.

The aggregate premium of all of our insurance policies amounted to approximately HK\$0.6 million and HK\$0.6 million for the year ended 31 March 2015 and the year ended 31 March 2016 respectively. As the major aspects of our operations have been covered by insurance, we believe our Group has taken out adequate insurance in line with industry standards to cover our assets and employees. During the Track Record Period, there were no material insurance claims by our Group.

OUR TK ARRANGEMENTS

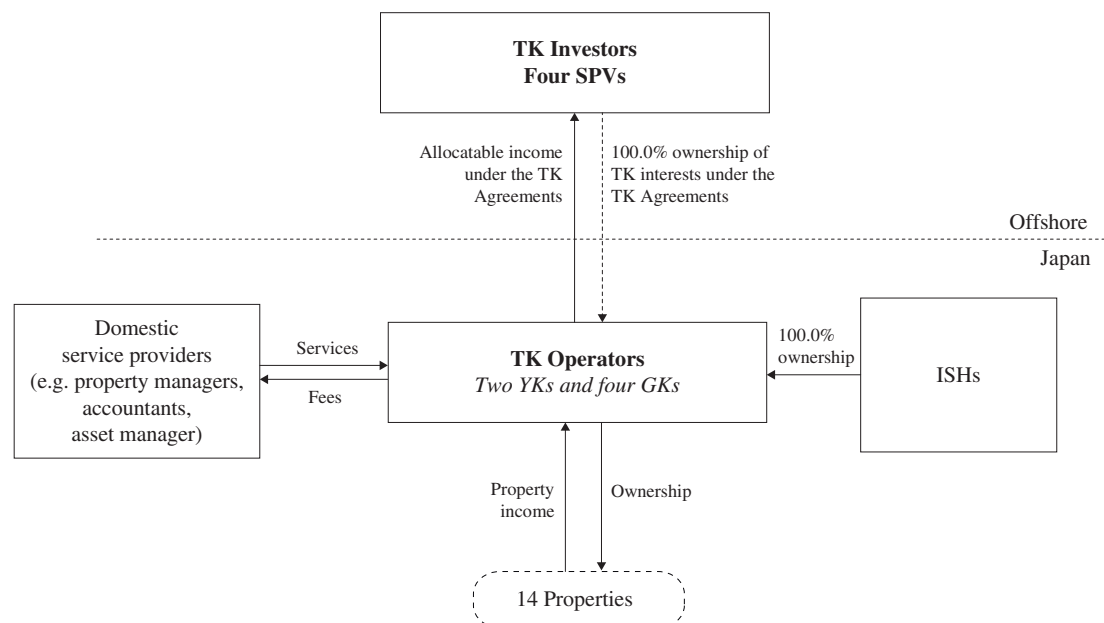
OVERVIEW

Our Group has adopted the TK structure for the investments in our 14 Properties in Japan.

A TK arrangement is a contractual arrangement defined in the Commercial Code of Japan. As disclosed in the paragraph headed “Common Japanese real estate investment structures for foreigners” under the section headed “Regulatory overview” of this document, the TK structure is one of the typical investment structures adopted by foreign investors when investing in Japan, utilised primarily for (i) tax benefits; (ii) non-recourse financing advantage; (iii) control over acquisition and disposal of properties; and (iv) limited legal liability (for details, please refer to the paragraph headed “Major benefits and potential uncertainties of our TK Arrangements” in this section). In this regard, having taken into consideration the scale of our property investment activities and the costs associated with each of the investment structure available, our Group adopted the TK structure in respect of all of our property investments in Japan. We set out below further information on our TK Arrangements.

TK ARRANGEMENTS

The following diagram illustrates our TK Arrangements adopted by our Group.



Through our TK Arrangements, our Company has beneficial interests over our Properties in Japan, although we do not have direct ownership of them. Setting up a TK arrangement entails the establishment of a GK as a TK operator and an ISH as a holding company of a TK Operator. Our legal advisers as to Japan law have confirmed that so long as the requirements and procedures for establishment are fulfilled (which are described in the paragraphs headed “Nature of TK Operators” and “Structure and function of an ISH” in this section), there is no constraint in respect of such process. In general, such administrative procedures would require one to two weeks with professional fees and setting up costs of not more than JPY1.0 million. We set out below a summary of the key roles and responsibilities of the parties involved in our TK Arrangements.

OUR TK ARRANGEMENTS

- | | |
|-------------------------|--|
| TK Investor | <ul style="list-style-type: none">– provides funding for the investment, after satisfactory due diligence, in return for allocatable income |
| TK Operator | <ul style="list-style-type: none">– legal owner of our Properties in Japan– responsible for the holding and management of the day-to-day operations of our Properties in Japan– shall not transfer or sell the relevant Properties or create further security on the relevant Properties before the termination of our TK Agreement |
| ISH | <ul style="list-style-type: none">– a form of “orphan entity” established in Japan (a legal entity without any shareholders but only “members” who have no right to receive any distributions of the profits of an ISH and exists purely on a functional basis and have no economic interests in the ISH) solely to act as the holding company of the TK Operator as part of our TK Arrangement (as our TK Investor has no equity interest in the TK Operator)– ISH and its associated laws are designed to protect the underlying assets held under the ISH through the TK Operator while limiting potential lawsuits against the contributor of funds and capital (our TK Investor)– has no potential income, loss or net worth |
| Property manager | <ul style="list-style-type: none">– appointed by the TK Operator upon the entering into of our TK Agreement– carry out and execute the day-to-day management of our Properties in Japan on behalf of the TK Operator, including tenant management, building management and leasing. Please refer to the paragraph headed “Monitoring of the performance of our Properties” under the section headed “Business” of this document for further details– when selecting a property manager, our Group takes into account, amongst other things, the experience of the property manager with the same type of properties held by our Group, its reputation, the proposed fees and quality of service. For further details, please refer to the paragraph headed “Monitoring of the performance of our Properties” in the section headed “Business” of this document |

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|----------------------|--|
| Accountants | <ul style="list-style-type: none">– appointed by the TK Operator upon the entering into of our TK Agreement– carry out the accounting and book keeping functions of the TK Operator |
| Asset manager | <ul style="list-style-type: none">– appointed by the TK Operator upon the entering into of our TK Agreement– provide assistance to the TK Operator in monitoring the performance of the property manager, reviewing budgets and plans for the leasing and maintenance of our Properties in Japan, and reporting to our Group– when selecting an asset manager, our Group takes into account, amongst other things, the experience of the asset manager in relation to the type of properties held by our Group, its reputation, the proposed fees and quality of service. For further details, please refer to the paragraph headed “Monitoring of the performance of our Properties” under the section headed “Business” of this document |

TK Agreements

As at the Latest Practicable Date, our Group had six TK Agreements entered into between four TK Investors and six TK Operators in relation to our 14 Properties in Japan.

Pursuant to our relevant TK Agreements, TK Business comprises (a) the acquisition, retention, management and disposal of our Properties in Japan; and (b) all other relevant activities in relation to the above. Our TK Investor undertakes that it shall provide funding to the TK Operator for it to conduct the TK Business in accordance with our TK Agreement. The TK Operator undertakes that it shall distribute the allocatable profits generated from the TK Business to our TK Investor.

Obligations of the TK Operator

In particular, each TK Operator (i) shall manage the relevant Properties with due care and to perform its duties as a good property operator; (ii) shall not transfer or sell the relevant properties or create further security on the relevant properties before the termination of our TK Agreement; and (iii) shall prepare a business report, balance sheet and profit and loss statement of the TK Business and shall submit the aforesaid documents to our TK Investor within 60 days from the end of each financial year.

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Remuneration to the TK Operator

The TK Operator shall receive JPY150,000 per annum as remuneration for performing the TK Business and executing operations. Our Group considers such remuneration to be a reasonable amount for the TK Operator's stake in the TK Business given the nature and scale of the TK Business and that the day-to-day operations of the TK Business are delegated to external service providers. In the event that the subject period being less than one year, remuneration to the TK Operator shall be calculated daily on the basis of 365 days a year (rounding off to the nearest one JPY).

Allocation of economic benefits to our TK Investor

Any profit generated or loss incurred by the TK Operator from the TK Business shall be allocated to the TK Investor. However, the maximum amount of loss for which our TK Investor is responsible shall be limited to the aggregate investment amount contributed by it. If the amount of the cumulative losses exceeds the investment amount contributed by our TK Investor, such excess amount shall be borne by the TK Operator.

As advised by our legal advisers as to Japan law, under our TK Arrangements, where financing is obtained, our TK Investor's interests are subordinated to that of the lenders which are the Japanese financial institutions in the case of our Group. As such, should the TK Operator fail to service its debt, our TK Investor may lose its entitlement to the economic benefits from the underlying properties under our TK Arrangement if the lender exercises its rights of foreclosure and repossesses the Property. Save for the event described above, there are no other scenarios where our TK Investor will lose its entitlement to the economic benefits from the underlying properties under our TK Arrangement. As confirmed by our legal advisers as to Japan law, there is no legal nor contractual obligation for our Group to provide any financial support to the TK Operators. In this regard, all loans taken out by the TK Operators are on a non-recourse basis to our respective TK Investors, and the financial exposure of our Group is limited to the amount of our TK investment.

The TK Operators shall calculate the net profit or net loss of each calculation period (as defined in our relevant TK Agreement and, in general, semi-annually) within two months following the end of each calculation period. On the last day of the two months following the end of each calculation period, the TK Operator shall allocate the profit (or loss) to our TK Investor. The accumulated entitled profit will be distributed to the TK Investor in the form of cash at the end of the two months following each calculation period. This is known as TK distribution. Details of the terms, including amongst other things, the frequency of distributions by the TK Operator, are stipulated in our TK Agreement entered into between TK Investor and the TK Operator. Since certain terms, such as that relating to frequency of distribution, are stipulated in our TK Agreements, any amendments to such terms, as well as the amount of distribution, are subject to mutual consent. Our Group as TK Investor will take into account factors such as expected capital requirements and actual cash flow when deciding on the amount and frequency of distribution. Our Directors consider it to be favourable to have certain terms, such as that relating to frequency of distribution, set out in our TK Agreements,

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in order to clarify the rights and obligations of the parties. Since our TK Agreement is an agreement signed by both our TK Investor and the TK Operator, any amendments to the terms contained therein would require mutual consent on a case-by-case basis, taking into account actual commercial circumstances such as capital requirements and cash flows of the TK Operators.

Pursuant to our TK Arrangement, the amount of TK distribution allocated to our TK Investor for each calculation period is determined by the amount of net profit recorded by the respective TK determined after taking into consideration the sum needed for ongoing operations (including debt servicing and loan principal repayment needs) and the sum needed for acquisition of properties in the future. Set out below is a table summarising the frequency of TK distribution during the Track Record Period:

TK Operators	For the year ended 31 March	
	2015	2016
YK Houten	1	– (Note 1)
YK Hourei	1	– (Note 1)
GK Choun	– (Note 1)	– (Note 1)
GK Hayama Shouten	– (Note 1)	– (Note 1)
GK Mameha	2	1 (Note 2)
GK Bohol	2	– (Note 2)

Notes:

1. Taking into account the operating and expected capital expenditure needs during the Track Record Period, and that we acquired two Properties in Tokyo (through GK Choun and YK Houten) in February and July 2015 respectively, and one Property in Fukuoka (through YK Hourei) in August 2014, no payment of TK distribution was made during the period.
2. TK distribution had been made to our TK Investor subsequent to the Track Record Period.

Set out below is a table summarising the TK distribution allocation and payment made by the TK Operators during the Track Record Period.

	For the year ended 31 March	
	2015	2016
	JPY million	JPY million
Profit subject to TK distribution (Note 1)	73.0	97.0
Profit allocated to TK Investors	72.4	96.0
Actual TK distribution	37.2	4.9 (Note 2)

Note:

1. This represents the aggregate amount of net profit recorded by the respective TK Operators during the relevant period excluding the fair value changes of the respective Properties.
2. Subsequent to 31 March 2016 and up to the Latest Practicable Date, approximately JPY16.0 million was distributed. An additional JPY120.0 million is expected to be distributed before the end of October 2016.

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Structure and function of an ISH

An ISH, as provided for under the Act on General Incorporated Associations and General Incorporated Foundations, is usually used in TK arrangements as the holding company of the TK operators. It is a particular concept in existence in Japan and is an "orphan entity" with no shareholders or equity owners of its own. For its establishment, at least two members are required to set up an ISH, however such members have no right to receive any distributions of the profits of an ISH and are not required to contribute capital upon incorporation. The director of an ISH shall then be appointed by these two members. As advised by our legal advisers as to Japan law, an ISH will usually have one director who is engaged on a purely administrative basis to act as an executor for relevant documents. Since an ISH is a type of legal entity and can be set up as and when required (similar to incorporating a limited company under the Companies Ordinance in Hong Kong), as confirmed by our legal advisers as to Japan law, so long as the above requirements and procedures for establishment are fulfilled, there is no constraint in respect of its availability.

As advised by our legal advisers as to Japan law, the primary benefit of the ISH is that it does not carry out any operational functions and is established for the purpose of bankruptcy remoteness. The fact that the ISH does not carry out any operational functions minimises its commercial and operational risks and hence the possibility of potential claims or lawsuits by outside parties (such as creditors of (i) the owner of the TK Operator if it is an entity with business activities or (ii) our TK Investor), if any, against the assets held by the TK Operator and hence our TK Investor. This entire arrangement is therefore favoured by Japanese banks which lend, on a non-recourse basis, against the security of the property.

Similarly, the relationship between our TK Investor and the TK Operator is only a contractual relationship through our TK Agreement, therefore the TK Operator's exposure to potential claims lodged against our TK Investor may be minimised, and vice versa.

Nature of TK operators

A GK, as provided for under the Commercial Code of Japan, is usually used in TK arrangements as the TK operator. For its establishment, at least one member is required to contribute capital at its incorporation. As advised by our legal advisers as to Japan law, a GK will usually have one member who is engaged on a purely administrative basis to act as an executor for relevant documents.

Since a TK Operator is a type of legal entity and can be set up as and when required (similar to incorporating a limited company under the Companies Ordinance in Hong Kong), as confirmed by our legal advisers as to Japan law, so long as the above requirements and procedures for establishment are fulfilled, there is no constraint in respect of its availability.

Relationship between our Group, the TK Operators and the ISHs

The ISHs are used solely for the purpose of holding shares in the TK Operators under the respective TK Arrangements. Our Group has no control or interests in the ISHs and the only connection between our Group and the ISHs is indirectly through that of the TK Operators.

Prior to entering into a TK Agreement, our Group in effect selects and agrees upon the director to be appointed to the ISH and the TK Operator respectively. It is our Group's policy to set up the ISH and the respective TK Operator with a practising professional, such as an

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accountant or real estate professional, as the director of the ISH and the TK Operator. Once such TK Agreement has been entered into, due to the nature of our TK Arrangement, our Group can no longer directly appoint directors of such bodies, but as discussed in the paragraph headed "Our Group's control over our property interests" in this section, our Group may terminate such TK Agreement and enter into another TK agreement, selecting a different director of the TK Operator and the ISH.

As disclosed in the paragraph headed "Remuneration to the TK Operator" in this section, the TK Operator is remunerated on a fixed fee basis whilst day-to-day operations are delegated to third party service providers. As such, there does not exist a potential for conflict of interest between our Group as a TK Investor and the respective TK Operator.

The TK Operator owes its fiduciary duty to our TK Investor according to the Commercial Code of Japan. Given that the ISH (being the shareholder of the TK Operator) has no other interests of its own and, being an "orphan" entity, is accountable to no one, there is no potential conflict of interest between a TK Investor and the ISHs.

The use of an ISH ensures that the fiduciary duty of the TK Operator is owed predominantly towards our TK Investor since there is no other party interested in the equity and hence the business (if any) of an ISH. The ISH is only established by reason of our TK Arrangement and hence will not carry out any business or do anything which will compete with or jeopardise the interests of our TK Investor.

Termination and cancellation

Termination

Our TK Agreements shall automatically terminate in the following events:

- (i) on 30 June 2034;
- (ii) when the TK Operator is in liquidation or subject to any insolvency proceeding, corporate rehabilitation procedure or other similar proceeding;
- (iii) when our TK Investor is declared bankrupt;
- (iv) when our TK Agreement is terminated in accordance with the terms under the cancellation clause (as further elaborated below); or
- (v) when it becomes impossible to continue the TK Business.

A TK Agreement shall be subject to extension by mutual agreement between our relevant TK Investors and TK Operators. Upon termination, the value of the TK Business is to be calculated as set out in our TK Agreement and the amount shall be paid to our TK Investor in cash or in other ways to be separately agreed by our TK Investor and TK Operator. In this regard, the ISHs of the TK Operators have undertaken, on termination of the relevant TK Agreement, to transfer their interests in the TK Operators to our TK Investors upon request. In the event that any existing ISH refuses to transfer the shares of the TK Operator, we would need to take legal action, for example, file a petition with the court to recover our entitlement to our underlying Properties in Japan, which would be time consuming.

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Cancellation

Our TK Agreements may be cancelled (i) upon either party giving the other party a notice in writing to cancel at least three months prior to the effective date of termination designated in such notice, or (ii) by our TK Investor at a shorter notice period or with immediate effect by compensating the TK Operator an equivalent amount of remuneration with reference to the abovementioned annual remuneration in lieu of such notice period.

Our legal advisers as to Japan law and our independent Japan tax adviser confirm that upon termination of our TK Agreements and the transfer of the ISH's interests in the TK Operators, subject to offshore execution of relevant documentation, our Group will not be subject to any transactional costs (e.g. stamp duty or consumption tax). Our Group may incur professional fees (i.e. legal and accounting fees) to process such transfer of interests alongside establishment costs of the new TK structure, which are expected to be immaterial. The TK Operators do not need to re-engage third party service providers such as property managers due to such transfer of interests. Such transfer can be effected immediately upon initiation by our TK Investor and completion of the aforementioned notice period (or a shorter period as mutually agreed or as opted by our TK Investor with relevant compensation paid to the TK Operator as mentioned above).

Since our Group's establishment and up to the Latest Practicable Date, none of our TK Agreements had been terminated.

Governing law

Our TK Agreements are governed by and construed in accordance with Japan law. In particular, the Tokyo District Court shall be the first exclusive jurisdiction to settle any dispute in connection with our TK Agreements.

Incapacitated directors

As can be seen in the table below, it is often the case that the sole director of the TK Operator is also the sole director of the ISH. As advised by our legal advisers as to Japan law, in the event that the sole director of both a TK Operator and an ISH becomes incapacitated (to the extent that he/she cannot carry on business) or dies, it would be necessary to carry out the following procedures:

1. members of the ISH hold a members' meeting in order to appoint a new director of the ISH; and
2. the new director of the ISH holds a members' meeting of the TK Operator in order to appoint a new director of the TK Operator.

Our legal advisers as to Japan law confirm that if the above procedures are not carried out by the members of an ISH, the TK Operator could file a petition with the court in order to appoint a director. The director would be appointed by the court and would have the same authority as a director appointed by a members' meeting.

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As mentioned above, members of an ISH have no right to receive any distributions of the profits of an ISH and are not required to contribute capital upon incorporation. They are therefore acting on a purely functional basis and have no economic interests in the ISH, preventing the occurrence of any conflict of interests between the members of the ISH and our TK Investor. The table below sets out a summary of our TK Agreements:

ISH	Director of ISH	Members of ISH	TK Investor	TK Operator (Note)	Director of TK Operator	Properties	Maturity date of the relevant TK Agreement
Bohol Holdings	Mr. Takehisa Tei	Mr. Takehisa Tei Mr. Tatsuhiro Murakami	Smart Tact	GK Bohol	Mr. Takehisa Tei	– Ark Palace Hiragishi – LC One – South 1 West 18 Building – White Building	30 June 2034
Choun Holdings	Mr. Takehisa Tei	Mr. Takehisa Tei Mr. Tatsuhiro Murakami	Starich	GK Choun	Mr. Takehisa Tei	– Azabu Sendaizaka Hills	30 June 2034
Hayama Holdings	Mr. Tomohiro Oie	Mr. Tomohiro Oie Mr. Shuji Kosugi Mr. Koichi Ota	EXE	GK Hayama Shouten	Mr. Tomohiro Oie	– Rise Shimodori EXE	30 June 2034
Mameha Holdings	Mr. Takehisa Tei	Mr. Takehisa Tei Mr. Tatsuhiro Murakami	Residence	GK Mameha	Mr. Takehisa Tei	– Residence Motoki	30 June 2034
Star Holdings	Mr. Takehisa Tei	Mr. Takehisa Tei Mr. Tatsuhiro Murakami	Starich	YK Hourei	Mr. Takehisa Tei	– City Court Suginami – Wealth Fujisaki	30 June 2034
Star Holdings	Mr. Takehisa Tei	Mr. Takehisa Tei Mr. Tatsuhiro Murakami	Starich	YK Houten	Mr. Takehisa Tei	– Crown Building – Libress Hiragishi – Nouvelle 98 – T House – Tommy House – Hiragishi	30 June 2034

Note: There are currently two different types of Japanese entities functioning as the TK Operators:

- (i) A YK is a Japanese company established under Japanese law before May 2006. A YK’s corporate structure is similar to that of a private limited company, with directors managing the company on behalf of the shareholders who own the company.
- (ii) A GK is a Japanese company established under Japanese law subsequent to May 2006. A GK’s corporate structure is similar to that of a limited liability company, with the members of the GK both owning and managing the GK.

TK operators incorporated prior to 2006 were mostly structured as YKs. On 1 May 2006, the new Japanese Company Law took effect and abolished the concept of YKs. Existing YKs were however permitted to continue to carry on their business under essentially the same rules as before but are legally referred to as “Tokurei Yugen Kaisha”, or “special limited companies”. These Tokurei YKs follow the new rules governing stock companies. The concept of GKs was also introduced on 1 May 2006.

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Our legal advisers as to Japan law have opined that the entry into and performance of our TK Agreements will not result in the violation or contravention of any Japan law, rule, regulation, judgment, order or decree of any governmental body in Japan or the TK Operators' or the ISHs' articles of incorporation.

Tax implications

Taxation of TK Operator

Each of the TK Operators are either a YK or GK and as such are subject to Japanese corporate income taxes (i.e. national corporation tax, local corporate tax, corporate enterprise tax, special local corporate tax and corporate inhabitant tax) on its worldwide income. After deduction of the TK profit (or losses) allocated to our TK Investor, the income or gain of the TK Operators will be subject to the corporate income taxes in Japan at the effective tax rate of approximately 34%. A TK arrangement is a contractual arrangement and is not a separate legal entity from the TK Operator. A TK arrangement is not taxed as a separate legal entity for Japanese tax purposes.

Taxation of our TK Investors

As our TK Investors are foreign corporations, the TK income distributed to our TK Investor will be subject to withholding tax at the rate of 20.42% provided that the TK Investor does not have a permanent establishment in Japan. Such tax amount shall be the final tax to which our TK Investor is subject. Any gain from the sale by our TK Investors of their TK Interests shall not be taxable in Japan provided that our TK Investors do not have permanent establishments in Japan.

If a foreign TK investor has a permanent establishment in Japan, and the TK investment is attributable to such permanent establishment, then the foreign TK investor will be subject to Japanese corporate income taxes at the effective tax rate of approximately 34%. Whether the TK investor has a permanent establishment in Japan would depend on the activities undertaken in Japan by persons acting for or on behalf of the TK investor.

Based on (i) the scope of work of the property and asset managers (to whom the TK Operators have delegated their functions) as set out in the relevant agreements; (ii) to the extent that our TK Investors do not participate in the daily operation of the TK Business in Japan (such as making decisions around tenant selection, repairs and maintenance and capital expenditure and day-to-day monitoring of the properties); and (iii) the fact that the decision making process with respect to making TK investment and any TK divestment are conducted by our TK Investors outside of Japan, our independent Japan tax adviser confirms the TK Investors' investment under our TK Agreements should not, of itself, cause them to have a permanent establishment in Japan.

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Tax implications upon termination of a TK Agreement

As advised and confirmed by our legal advisers as to Japan law, in the event that our Group decides to terminate a TK Arrangement and purchase the shares of the TK Operator in order to obtain direct legal ownership of one or more Properties, the following would occur:

- 1) At the time of termination of our TK Agreement, any profit or loss which would be realised assuming the Property(ies) was sold at market value at the date of termination would be allocated to our TK Investor. Any profits allocated to our TK Investor would be subject to a 20.42% withholding tax. Any losses would be allocated to our TK Investor and would be treated as income for the TK Operator and therefore the TK Operator would be subject to Japanese national and local taxes on that deemed income at an effective tax rate of approximately 34%. For details of the associated costs and time required to terminate our TK Agreement, please refer to the paragraph headed "Termination" in this section.
- 2) Going forward, the TK Operator would be subject to Japanese national and local taxes on its full taxable income at an effective tax rate of approximately 34%. Furthermore, dividends paid to its shareholders would be subject to 20.42% withholding tax (which may be reduced to 5% under the tax treaty between Hong Kong and Japan). Under our TK Agreement, only the TK income distributed to our TK Investor is subject to the withholding tax rate of 20.42%.
- 3) There would be no impact on the business operations of our Group since the daily management of our Properties is carried out by third party service providers. Please refer to the diagram and table set out on pages 186 to 188 for details.

Our Group's control over our property interests

In order to facilitate understanding of the extent of control exercised by our Group over our property interests in Japan, set out below is a comparison of the extent and means by which (i) we, being our TK Investor, exert control over the relevant TK Operator that owns the underlying Properties in Japan under our TK Arrangement; and (ii) a parent company exerts control over its wholly-owned subsidiary that owns underlying properties in Japan as set out under the paragraph headed "Direct offshore ownership" under the section headed "Regulatory overview" of this document (which is not the case for our Group).

For the purpose of comparison, the investor is a foreigner from outside of Japan (similar to our Group), the property interests will be managed by a property holding company (incorporated either onshore or offshore).

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Foreign parent group's desired action	Property held by a company (TK Operator) under our TK Arrangement	Property held by a wholly-owned subsidiary (i.e. direct ownership arrangement)
Acquisition of property (Note)	Our TK Investor will only agree to sign our TK Agreement if the terms and conditions of the acquisition and related financing (if any) are acceptable to it. Accordingly, in effect, our TK Investor will approve the acquisition and related financing.	The parent group will only set up a subsidiary as an investment holding company if the terms and conditions of the acquisition and related financing (if any) are acceptable to it. In effect, the parent group will approve the acquisition and related financing.
Disposal of property	<p data-bbox="635 944 995 1134">Our TK Investor communicates to the director of the TK Operator the property desired to be disposed of.</p> <p data-bbox="635 1183 1015 1613">Under our TK Agreements, the TK Operator shall not transfer or sell property before the termination of our TK Agreement. In effect, if a sale were to take place, an amendment to our TK Agreement on such terms/clauses is necessary and thereby consent from our TK Investor is required.</p>	<p data-bbox="1051 944 1362 1134">The parent group communicates to the director of the subsidiary the property desired to be disposed of.</p> <p data-bbox="1051 1183 1362 1453">Whilst directors of a subsidiary have discretion to run the operations of the subsidiaries, shareholders' approval is normally obtained.</p>

Note: Prior to acquisition of the property and before entering into our TK Agreement/incorporating the subsidiary, the potential investor may engage directly in seeking acquisition targets, due diligence, negotiation, finalising the terms of the acquisition and selection of third party services providers, e.g. property managers and asset managers.

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Foreign parent group's desired action	Property held by a company (TK Operator) under our TK Arrangement	Property held by a wholly-owned subsidiary (i.e. direct ownership arrangement)
Appointment and monitoring of third party service providers for the daily management of property (e.g. property managers/asset managers), keeping of accounts and records etc.	Before entering into a TK Agreement, our TK Investor may request the director of the TK Operator to appoint third party service providers. The director of the TK Operator will appoint such third party services providers and report investment performance to our TK Investor in accordance with our TK Agreement.	The parent group may request the director of the subsidiary to appoint third party service providers. The director of the subsidiary will appoint such third party services providers and report investment performance to the parent group.
Appointment and removal of the director	<p data-bbox="635 857 1018 1059">Our TK Investor shall choose to enter into a TK Agreement with a TK Operator in which a director selected by/satisfactory to them has been appointed.</p> <p data-bbox="635 1112 1018 1421">In the event that the performance of the director of the TK Operator is unsatisfactory, e.g. the director unreasonably declines to carry out his/her above duties, or requests from our TK Investor, our TK Investor can request the director to resign.</p> <p data-bbox="635 1474 1018 1947">If the director declines to resign, our TK Investor can terminate our TK Agreement and exercise its option to have the shares in the TK Operator transferred to it, or a designated party (which could be a new ISH) under the agreement between the ISH and our TK Investor, thereby taking control of the TK Operator to replace the director and appoint a new director.</p>	<p data-bbox="1051 857 1362 1027">A parent group shall pass a shareholders' resolution appointing a director to the newly incorporated subsidiary.</p> <p data-bbox="1051 1081 1362 1453">In the event that the performance of the subsidiary's director is unsatisfactory, e.g. the director unreasonably declines to carry out his/her above duties, or requests from the parent group, the parent group can request the director to resign.</p> <p data-bbox="1051 1506 1362 1740">If the director declines to resign, the parent company, being the majority shareholder, can call a shareholders meeting to replace the director.</p>

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Foreign parent group's desired action	Property held by a company (TK Operator) under our TK Arrangement	Property held by a wholly-owned subsidiary (i.e. direct ownership arrangement)
Control over allocation of economic benefits	Our TK Investor is entitled to profits of the TK Operator in accordance with our TK Agreement.	The parent group is entitled to the profits of the subsidiary in accordance with the subsidiary's articles of association and the company law of the relevant jurisdiction.
Dissolution or winding up of the business/ subsidiary	In the event that our TK Investor decides to exit our TK Arrangement, it can terminate our TK Agreement and is entitled to receive the remaining assets. Our TK Investor can also exercise its option to have the shares in the TK Operator transferred to it, or a designated party, thereby taking control of the remaining assets of the TK Operator.	In the event that the parent group decides to dissolve the subsidiary, the parent group can pass a shareholders' resolution to wind up the subsidiary and to take over the remaining assets of the subsidiary.

Further, regardless of the holding structure of the property, given the nature of the property investment business, the daily management of the Properties will be carried out by third party services providers, being the property managers and asset managers. This is different from other industries which may require a greater degree of participation in the daily operational matters of the subject business. As such, since the operations are principally contracted out to third party services providers, the director of the TK Operator or the subsidiary, does not have any material operational roles. Due to the nature of the property investment business, the role of the TK Operator is limited to executing acquisitions and disposals of properties and engagement of third party services providers. In this context, our TK Arrangements do not impact the control of our Group over our Properties in Japan. Moreover, upon termination of our TK Agreement, our TK Investor can exercise its option to purchase the shares of the TK Operator in order to obtain direct legal ownership in the TK Operator and our Properties as shareholder.

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As stated in the section headed "Tax implications" in this section, save for the tax implications mentioned therein, there would be no impact on the business or financial operations of our Group in the event that our Group decides to terminate a TK Agreement.

In view of the above, whilst the mechanism differs, the fundamental control held by our Group over our investment property interests is substantially similar to that of any company holding property interests through its subsidiary. However, due to the difference in property holding structure, we may be subject to certain risks associated with our TK Arrangements as compared to the situation of direct ownership. Details of these risks are set forth in the paragraph headed "Risks relating to our TK Arrangements" under the section headed "Risk factors" of this document.

Pursuant to the above and taking into account the specific provisions of the Commercial Code of Japan, our legal advisers as to Japan law are of the view and the Joint Sponsors concur that the protection under our TK Arrangements for our Company's interest in our Properties in Japan is of a substantially similar level as that provided by a company holding property interests through a wholly-owned subsidiary.

Enforceability of our TK Arrangements and protection for our TK Investors

As confirmed by our legal advisers as to Japan law, our TK Arrangements are in compliance with the Commercial Code of Japan relating to TK arrangements and are fully enforceable under Japan law, and the Japan courts recognise and give effect to the terms of our TK Agreements. Accordingly, our TK Investors' basic rights and obligations are set out in the Commercial Code of Japan, and further articulated in our TK Agreements. In the event that a TK Operator is in breach of our relevant TK Agreement, under Japan law, TK Investor has the legal right to seek monetary damages against the TK Operator. A concept similar to "fiduciary duty" in common law which requires a fiduciary to act in the best interests of another, also exists under Japan law and is set out in the Civil Code of Japan, and is in this case owed by the TK Operator to our TK Investor.

As advised by our legal advisers as to Japan law, under Article 644 of the Civil Code of Japan, as a fiduciary, the TK Operator shall administer its mandated business with the care of a good manager in compliance with the main purpose of and to give effect to the subject matter of our TK Agreement. The "care of a good manager" is considered as care which is generally expected of a manager of the status and/or occupation of the TK Operator. Accordingly, our TK Investor has the right under Japan law to sue the TK Operator and (if gross negligence is acknowledged) its director for damages if they have not provided the care of a good manager in carrying out their duties under our TK Agreement.

Based on the above, the Joint Sponsors concur with our legal adviser as to Japan law that our TK Arrangements are legally enforceable under Japan law and our TK Investors' rights are protected under Japan law.

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Major benefits and potential uncertainties of our TK Arrangements

We have summarised below the major benefits and potential uncertainties of our TK Arrangements, which have been referred to previously in this document:

Benefits	Potential uncertainties
<ol style="list-style-type: none"> 1. A tax rate of 20.42% is applied rather than the national corporation tax rate of approximately 25% on relevant income (generally applicable to a non-resident investor holding Japanese real estate interest directly) or potential full taxation (i.e. national and local corporate tax) at effective tax rate of approximately 34% (potentially applicable to a non-resident investor holding Japanese real estate interest directly). 2. The tax is paid on a withholding basis, meaning that tax is only paid on TK distributions to our TK Investor. 3. As mentioned above, any acquisition or disposal of property by a TK Operator is prohibited under our TK Agreement. Thus, such action must be agreed upon by our Group and amendments must be made to our TK Agreement. This is a more stringent requirement than that in a simple parent-subsidiary relationship. 4. The structure of our TK Arrangements facilitates the obtaining of non-recourse loan facilities from Japanese banks, who either prefer or even require such structure. Non-recourse loan financing enables the TK Operator to obtain loan financing for which the banks do not have any claim to the assets of the parent company, only that of the loan recipient. 5. Since our TK Investor and TK Operator are not directly connected via any equity interests, coupled with the existence of the ISH, being the holding company of the TK Operator, and the laws associated with the ISH, being designated to protect the underlying assets of the TK Operators, any potential lawsuits lodged against the TK Operator may not be brought against our relevant TK Investor or are limited. 	<ol style="list-style-type: none"> 1. There could be a change in laws or regulations which may materially and adversely affect the operations of the TK structure. 2. If the TK Investor is deemed to be actively participating in the operations of the relevant TK Operator, it could result in the entity being disqualified from enjoying the lower tax rate under the TK structure. 3. If our TK Investor is dissatisfied with the performance of the director of the TK Operator and such director refuses to resign or the director of the TK Operator, unreasonably declines to carry out his/her duties or requests from our TK Investor such as failure to adhere to or refusal to change frequency of TK distributions according to commercial needs, it may become necessary to terminate our TK Agreement and take control of the TK Operator as a subsidiary as set out above. This will compromise the lower tax rate we are entitled to going forward, thereby leading to increased tax expenses in the future and may necessitate the parent group providing a guarantee for any applicable loans taken out by the TK Operator.

The above major benefits and potential uncertainties have been confirmed by our legal advisers as to Japan law and our independent Japan tax adviser.

OUR TK ARRANGEMENTS

Suitability of using our TK Arrangements

Our Directors are of the view that our TK Arrangements are particularly suitable for making investments in properties, given that (i) the management of the properties are often carried out by third party service providers (such as property managers and asset managers), regardless of which holding structure is used; (ii) our TK Arrangements have the additional advantage of facilitating financing on a non-recourse basis (please refer to the paragraph headed “Structure and function of an ISH” in this section for further information); and (iii) for foreign investors, the applicable tax rate is comparatively lower, which is an important consideration in real estate investment to enhance return on equity.

Taking into account all the above, our Directors are of the view that our TK Arrangements are the most appropriate structure in holding investment properties in Japan of the type which are owned by our Group.

Accounting implications

For the purpose of preparing the financial information laid out in the Accountants’ Report in Appendix I to this document, the TK Operators are considered as controlled entities of our Company pursuant to HKFRS 10 Consolidated Financial statements. In particular, our TK Investors’ rights to variable returns from their involvements with the TK Operators as stipulated in our TK Agreements give them power over the TK Operators. Further, the entitlement to the profits or losses generated by the TK Operators exposes TK Investors to the substantial risks and rewards of the underlying property holding businesses. Moreover, the activities set out in the paragraph headed “Operational procedures relating to our investment activities” under the section headed “Business” of this document also enable our TK Investors to influence the performance of our Properties in Japan and accordingly, the returns related thereto. Given the above and in particular the paragraph headed “Our Group’s control over our property interests” in this section, the reporting accountants of our Company, SHINEWING (HK) CPA Limited, are of the view that our Group controls (as defined under HKFRS 10 Consolidated Financial Statements) the TK Operators, and therefore the financial information set out in the Accountants’ Report in Appendix I to this document is presented on a group basis by combining our Company, our subsidiaries and the TK Operators in accordance with HKFRS 10 Consolidated Financial Statements.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board has the ultimate responsibility for the management of our Company and currently consists of six Directors, made up of three executive Directors and three independent non-executive Directors. The following table sets forth a summary regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors/senior management
Mr. Ip Arnold Tin Chee (葉天賜)	53	Chairman and executive Director Member of remuneration committee and nomination committee, and chairman of investment committee	21 September 2000	14 December 2015	Formulates corporate strategy and overall business development Oversees operations and financial matters of our Group and corporate finance activities	Spouse of Ms. Ho
Mr. Chang Sean Pey (曾憲沛)	45	Executive Director Member of investment committee	20 February 2001	3 March 2016	Works with the chairman of our Group in overseeing our Group's overall operations, strategic direction and business development Provides corporate finance services and manages the transaction teams of our Group	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors/senior management
Ms. Leung Churk Yin Jeanny (梁焯然)	51	Executive Director Member of investment committee Compliance officer	1 January 2016	3 March 2016	Works with the chairman of our Group in overseeing our Group's overall operations, strategic direction and business development Oversees compliance matters Provides corporate finance services and manages the transaction teams of our Group	N/A
Mr. Chao Tien Yo (趙天岳)	62	Independent non-executive Director Member of audit committee and remuneration committee and chairman of nomination committee	26 September 2016	26 September 2016	Provides independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors/senior management
Mr. Chan Sun Kwong (陳晨光)	50	Independent non-executive Director Member of remuneration committee and nomination committee and chairman of audit committee	26 September 2016	26 September 2016	Provides independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct	N/A
Mr. Lee Shu Yin (李樹賢)	49	Independent non-executive Director Member of audit committee and nomination committee and chairman of remuneration committee	26 September 2016	26 September 2016	Provides independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct	N/A

Executive Directors

Mr. Ip Arnold Tin Chee (葉天賜), aged 53, founded our Group in September 2000. He was appointed as a Director on 14 December 2015 and was redesignated as an executive Director and appointed as chairman of our Board on 8 April 2016. Mr. Ip is charged with (i) formulating our Group's corporate strategy and overall business development; (ii) overseeing the operational (including corporate finance activities) and financial matters of our Group; (iii) handling compliance matters; and (iv) client referrals and relationship management. Mr. Ip also acts as chairman of our investment committee and is able to draw from his experiences in the disciplines of corporate finance and fund management (as further elaborated below) to ensure that our investment activities are in line with our investment strategy and business development plan. Mr. Ip is also a member of our Group's remuneration committee and nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ip obtained a Bachelor of Arts degree and a Master of Arts degree from the University of Cambridge in the United Kingdom in June 1984 and November 1988 respectively. Subsequently, he joined Standard Chartered Asia Limited and had acted as a director. Mr. Ip later joined Yuanta Securities (Hong Kong) Company Limited and had been a director until January 2001. In September 2000, Mr. Ip founded our Group. Throughout the 2000s, he founded the management team of several funds which subsequently formed Saizen REIT, a REIT listed on the Singapore Exchange Securities Trading Limited since 9 November 2007. He currently acts as the chairman and non-executive director of JRAM, the manager of Saizen REIT.

Mr. Ip is currently licensed by the SFC to act as a Responsible Officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He is also a Principal of Altus Capital. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in July 1988. Mr. Ip is the spouse of Ms. Ho, a member of our senior management.

Mr. Ip's directorships in other companies listed on the Stock Exchange are set out below:

Company	Principal business during tenure	Position	Period
Pioneer Global Group Limited (stock code: 0224)	Investment holdings	Independent non-executive director	23 June 1999 to present
Pak Fah Yeow International Ltd. (stock code: 0239)	Manufacture, marketing and distribution of medicated embrocation under "Hoe Hin" brand and property and treasury investment	Independent non-executive director	8 September 2004 to present
Sam Woo Construction Group Limited (stock code: 3822)	Provision of foundation works and ancillary services	Independent non-executive director	15 September 2014 to present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ip was a director of the following companies, which were dissolved, wound-up (but not due to members' voluntary winding-up) or put into liquidation, with details as follows:

Name of company	Principal business activity immediately before dissolution	Date of dissolution/winding-up/liquidation	Details
Hong Kong Poinsettia Primary School Charitable Fund Limited	Assistance in setting up a primary school for furthering education of children on a non-profit basis	26 February 2010	This was a Hong Kong incorporated company which was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance (<i>Note 1</i>)
Altus Asset Management Limited	Provision of management services	28 August 2015	This was a Hong Kong incorporated company de-registered under section 751 of the Companies Ordinance and accordingly dissolved upon de-registration (<i>Note 2</i>)
JRAM HK	Dormant	1 April 2016	This was a Hong Kong incorporated company de-registered under section 751 of the Companies Ordinance and accordingly dissolved upon de-registration (<i>Note 2</i>)

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of company	Principal business activity immediately before dissolution	Date of dissolution/ winding-up/ liquidation	Details
KK Tenyu Investment Management	Did not commence business	9 June 2016	This is a Japan incorporated company which was an associate of our Group, and it has been liquidated as of 9 June 2016 pursuant to the laws of Japan (Note 3)

Notes:

1. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name off the registrar after the expiration of a specified period. Mr. Ip confirmed that to the best of his knowledge the said company was solvent and was not carrying on business or in operation at the time of it being struck off.
2. Under section 751 of the Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.
3. Mr. Ip confirmed that the KK Tenyu Investment Management did not commence business and has adequate assets to pay its creditors.

Mr. Ip confirmed that there was no wrongful act on his part leading to the above dissolution of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of these companies. All of the above dissolved companies were solvent immediately before their dissolution.

Moreover, Mr. Ip was a director of Li Chung Shing Tong (Holdings) Limited ("LCST"). Mr. Ip was a director of Altus Capital when Altus Capital acted as one of the investment advisers of several funds (the "Funds") which invested in certain convertible securities issued by Po Chai Herbal Technology Limited ("PCHT") while LCST was acting as a guarantor. Mr. Ip resigned as a director of LCST in November 2003. In or about early 2004, there was a dispute between the parties regarding the convertible securities. In or about mid-2004, the Funds appointed receivers who instituted legal actions against LCST and other parties. Subsequently in early 2006, settlement was reached and concluded between the parties and the relevant legal actions were withdrawn. Mr. Ip confirmed that there was no wrongful act on his part leading to the above matters.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chang Sean Pey (曾憲沛), aged 45, joined our Group in February 2001. He was appointed as a Director on 3 March 2016 and was redesignated as an executive Director on 8 April 2016. Mr. Chang works with the chairman of our Group to oversee our Group's overall operations, strategic direction and business development and is responsible for (i) managing daily operations and supervising staff; (ii) providing corporate finance services; (iii) handling compliance matters; and (iv) client referrals and relationship management. Mr. Chang, with experience in corporate finance as well as real estate investment and divestment (as set out in further details below), is a member of our investment committee.

After graduating from the National University of Singapore in Singapore with a Degree of Bachelor of Engineering (Mechanical) in July 1996, Mr. Chang began his career as a management trainee, and thereafter worked in the corporate finance services division of the investment banking department at the Development Bank of Singapore Limited, specialising in fund raising activities in the equity capital markets from July 1996 to April 2000 where his last position was manager. In April 2000, he joined Altus Asset Management in Hong Kong. In respect of investment management of Japan residential real estate, Mr. Chang was part of the management team of several funds which subsequently formed Saizen REIT, a REIT listed on the Singapore Exchange Securities Trading Limited since 9 November 2007. Mr. Chang was previously an executive director/co-chief executive officer of JRAM SG and currently serves as the Head of Investments and Special Projects at JRAM SG, where he is responsible for the evaluation of business opportunities and the portfolio performance of Saizen REIT.

Mr. Chang is currently licensed by the SFC to act as a Responsible Officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He is also a Principal of Altus Capital.

Mr. Chang was a director of the following companies, which were dissolved or wound-up (but not due to members' voluntary winding-up) with details as follows:

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding-up	Details
Altus Asset Management Limited	Provision of management services	28 August 2015	This was a Hong Kong incorporated company de-registered under section 751 of the Companies Ordinance and accordingly dissolved upon de-registration (Note)

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding-up	Details
JRAM HK	Dormant	1 April 2016	This was a Hong Kong incorporated company de-registered under section 751 of the Companies Ordinance and accordingly dissolved upon de-registration (Note)

Note: Under section 751 of the Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Chang confirmed that there was no wrongful act on his part leading to the above dissolution of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of these companies. All of the above dissolved companies were solvent immediately before their dissolution.

Mr. Chang was a director of each of Po Chai Herbal Technology Limited ("PCHT"), Li Chung Shing Ting (Holdings) Limited ("LCST") and Quinwood Limited ("QW"). Mr. Chang was working for our Group when Altus Capital acted as one of the investment advisers of several funds (the "Funds") which invested in certain convertible securities issued by PCHT while LCST and QW were acting as guarantors. Mr. Chang resigned as a director of PCHT, LCST and QW in November 2003. In or about early 2004, there was a dispute between the parties regarding the convertible securities. In or about mid-2004, the Funds appointed receivers who instituted legal actions against PCHT, LCST and QW. Subsequently in early 2006, settlement was reached and concluded between the parties and the relevant legal actions were withdrawn. Mr. Chang confirmed that there was no wrongful act on his part leading to the above matters.

Ms. Leung Churk Yin Jeanny (梁綽然), aged 51, was appointed as a Director on 3 March 2016 and was redesignated as an executive Director on 8 April 2016. Ms. Leung works with the chairman of our Board to oversee our Group's overall operations, strategic direction and business development and in her capacity as compliance officer, oversees all compliance matters. She provides corporate finance services to our clients and is responsible for management of the transaction teams as well as client referral and relationship management. Ms. Leung is also a member of our investment committee. She is able to draw on her vast experience in corporate finance, as well as executive management in listed entities as further elaborated below, in carrying out this role.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

After graduating with a degree of Bachelor of Science from the University of Toronto in Canada in November 1986, Ms. Leung began her career at the Listing Division of the Stock Exchange from May 1987 and has since been involved in the corporate finance field, garnering and honing her expertise through her time at Standard Chartered Asia Limited from October 1990 to July 1994 with her last position as an assistant director of the corporate finance department, JP Morgan Securities (Asia) Limited from August 1994 as a vice president of the corporate finance department and Yuanta Securities (Hong Kong) Company Limited from November 1995 as an executive director. From February 1998 to January 1999 she served as an executive director for Top Form International Limited (stock code: 333). She then rejoined Yuanta Securities (Hong Kong) Company Limited from March 1999 to July 2000 as the managing director. In August 2000, she co-founded Access Capital Limited, a then licensed corporation to carry out certain regulated activities under the SFO where she served in the capacity as managing director. From September 2007 to December 2010, she served as executive director of several companies of the Lai Sun Group, consisting of Lai Sun Garment (International) Limited (stock code: 191), Lai Sun Development Company Limited (stock code: 488), Lai Fung Holdings Limited (stock code: 1125) and eSun Holdings Limited (stock code: 571). From January 2011 to August 2011, she was redesignated as a non-executive director of Lai Sun Garment (International) Limited and eSun Holdings Limited. From March 2008 to August 2010 and May 2011 until July 2015, with her extensive corporate finance experience, Ms. Leung had acted as Licensed Representative for Altus Capital and Altus Investments respectively prior to serving as Responsible Officer from July 2015 onwards and joining us as an employee on 1 January 2016.

Ms. Leung is currently licensed by the SFC to act as a Responsible Officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO.

Ms. Leung also holds the position of director in another company listed on the Stock Exchange, as set out below:

Company	Principal business during tenure	Position	Period
Top Form International Limited (stock code: 333)	Design, manufacture and distribution of ladies' intimate apparel, principally brassieres	Independent non-executive director	19 September 2008 to present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Leung was a director of the following companies, which were dissolved or wound-up (but not due to members' voluntary winding-up) with details as follows:

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding-up	Details
Forever Win Development Limited	Investment holding	11 January 2008	These were Hong Kong incorporated companies de-registered under section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon de-registration (Note)
Polygoal Limited	Investment holding	11 April 2008	
Senior Wisdom Limited	Investment holding	2 May 2008	
Apollo Charter Limited	Investment holding	3 April 2009	
Gainful Creation Limited	Investment holding	30 July 2010	
Golden Pool Enterprise Limited	Investment holding	14 January 2011	

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Ms. Leung confirmed that there was no wrongful act on her part leading to the above dissolution of the companies and she is not aware of any actual or potential claim, which has been or will be made against her as a result of the dissolution of these companies. All of the above dissolved companies were solvent immediately before their dissolution.

Independent non-executive Directors

Mr. Chao Tien Yo (趙天岳) ("Mr. Chao"), aged 62, joined the Company as an independent non-executive Director on 26 September 2016. Mr. Chao qualified as a solicitor in England and Wales in October 1983 and in Hong Kong in March 1984. After a legal career of over thirty years with international and Hong Kong law firms, he retired from professional private legal practice in 2015. He serves now as Chief Legal Officer with CPG Overseas Company Limited. Mr. Chao worked previously in the corporate group of Linklaters, as a consultant partner from May 2014 to June 2015 and as partner from August 2011 to April 2014. His earlier work experience includes acting as partner in the corporate department of Morrison & Foerster from January 2003 to July 2011. Prior to this, Mr. Chao co-founded the Hong Kong law firm Chao and Chung in 1994 and was a partner of the firm until it ceased practice at the end of 2002, where he mainly handled corporate work.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chao holds the degrees of Bachelor of Arts, Bachelor of Linguistics and Master of Arts from the University of Hong Kong (1975), the University of Manchester (1977) in the United Kingdom, and the University of Keele (1976) in the United Kingdom, respectively.

Mr. Chan Sun Kwong (陳晨光) ("Mr. Chan"), aged 50, joined the Company as an independent non-executive Director on 26 September 2016. Mr. Chan has over 20 years of experience in accounting, auditing, banking and company secretarial fields. For the period from January 1992 to March 1998, Mr. Chan had served in UDL Management Limited from January 1992 to March 1998 and his last position was a financial controller. He had also served as company secretary of UDL Holdings Limited (now known as DTXS Silk Road Investment Holdings Company Limited) (stock code: 620) from January 1992 to September 1997 and as company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited) (stock code: 681) from March 1997 to September 1997. He has been the sole proprietor of Ken Chan & Co. Certified Public Accountants, since July 1998. He had also served as company secretary of Ming Hing Holdings Limited (now known as Peace Map Holding Limited) (stock code: 402) from November 2005 to October 2006, an independent non-executive director of Anex International Holdings Limited (now known as Sustainable Forest Holdings Limited) (stock code: 723) from February 2006 to January 2008 and company secretary of Powerwell Pacific Holdings Limited (stock code: 8265) from December 2010 to September 2014. He had been the company secretary and an executive director of Sam Woo Holdings Limited (now known as Noble Century Investment Holdings Limited) (stock code: 2322) from March 2003 to June 2011. Mr. Chan had served as an independent non-executive director of Creative Energy Solutions Holdings Limited (stock code: 8109) from July 2010 to November 2010, Megalogic Technology Holdings Limited (stock code: 8242) from December 2011 to April 2015 and Pak Tak International Limited (stock code: 2668) from December 2014 to August 2016.

Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He became a fellow member of the Hong Kong Institute of Chartered Secretaries in February 2008, the Institute of Chartered Secretaries and Administrators in the United Kingdom in December 2006, the Chartered Association of Certified Accountants in the United Kingdom in October 1996 and the Hong Kong Institute of Certified Public Accountants in March 2000. Mr. Chan is accredited as a mediator of The Hong Kong Mediation Centre in November 2010.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chan currently holds the following positions in other companies listed on the Stock Exchange as follows:

Company	Principal business during tenure	Position	Period
Sam Woo Construction Group Limited (stock code: 3822)	Provision of foundation works and ancillary services in Hong Kong and Macau	Company secretary	28 January 2013 to present
KPa-BM Holdings Limited (stock code: 8141)	(i) Provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong	Company secretary	26 June 2015 to present

Mr. Lee Shu Yin (李樹賢) ("Mr. Lee"), aged 49, joined the Company as an independent non-executive Director on 26 September 2016. Mr. Lee has over twenty years of experience in corporate finance, investment and management. He is currently the chief investment officer of Grand River Properties (China) Ltd., a company that he co-founded in 2003, which is engaged in real estate investments consulting. His previous experience includes serving as a vice president and director in the Asian Equities division of JP Morgan Securities Limited/Robert Fleming Securities while based in London, New York and Boston and as an executive director of Goldman Sachs International in Hong Kong. He obtained a Degree of Master of Science in Finance in September 1999 from the London Business School of the University of London in the United Kingdom, and Bachelor of Arts Degree and Bachelor of Science Degree from Stanford University (officially the Leland Stanford Junior University) in the United States in June 1989. Mr. Lee was accredited as a chartered financial analyst by the Institute of Chartered Financial Analysts.

Mr. Lee also holds the position of director in another company listed on the Stock Exchange, as set out below:

Company	Principal business during tenure	Position	Period
Tian An China Investments Company Limited (stock code: 0028)	Development of apartments, villas, office buildings and commercial properties, property investment and property management in the PRC	Non-executive director	18 March 2011 to present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Disclosure of relationships

Save for Mr. Ip and Ms. Ho, an executive Director and a member of the senior management of our Group respectively, who are spouses, each of our Directors and senior management are independent from and not related to any of our Directors or senior management.

Save as disclosed above and elsewhere in this document, each of our Directors confirmed with respect to himself that: (i) apart from our Company, he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the paragraph headed "Further information about Directors and substantial Shareholders" in Appendix VI to this document, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) 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 the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

AUDIT COMMITTEE

We have established an audit committee pursuant to a resolution of our Directors passed on 26 September 2016 with written terms of reference in compliance with the Corporate Governance Code and Rule 5.28 of the GEM Listing Rules. The primary duties of our audit committee are mainly (i) to make recommendations to our Board on the appointment and removal of external auditors; (ii) to review and revise our Group's financial statements and render advice in respect of financial reporting; (iii) to oversee internal control procedures and corporate governance of our Group; (iv) to supervise internal control and risk management systems of our Group; and (v) to monitor any continuing connected transactions. All members of our audit committee are appointed by our Board. Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Chao, Mr. Chan and Mr. Lee. Mr. Chan is the chairman of our audit committee.

REMUNERATION COMMITTEE

We have established a remuneration committee pursuant to a resolution of our Directors passed on 26 September 2016 with written terms of reference in compliance with the Corporate Governance Code and Rules 5.34 and 5.35 of the GEM Listing Rules. The primary duties of our remuneration committee are mainly (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors of our Group; (ii) to review other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors; and (iii) to review the performance-based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of one executive Director, Mr. Ip, and all three independent non-executive Directors, namely Mr. Chao, Mr. Chan and Mr. Lee. Mr. Lee is the chairman of our remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

NOMINATION COMMITTEE

We have established a nomination committee pursuant to a resolution of our Directors passed on 26 September 2016 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of our nomination committee are mainly (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to our Board regarding the candidates to fill vacancies on our Board. Our nomination committee currently consists of one executive Director, Mr. Ip, and all three independent non-executive Directors, namely Mr. Chao, Mr. Chan and Mr. Lee. Mr. Chao is the chairman of our nomination committee.

SENIOR MANAGEMENT

Ms. Ho Shuk Yee Samantha (何淑懿), aged 52, joined our Group in May 2014. In her capacity as chief investment officer and a member of the investment committee, Ms. Ho is responsible for advising the executive Directors on our Group's investment strategy and assessing and making decision on the purchase and/or disposal of our investment in accordance with our investment strategy. Ms. Ho has over 25 years' of experience in the finance industry, specialising in fund management. Prior to joining our Group, she had served as a director of the board of Hong Kong Securities and Investment Institute from December 2008 to December 2014. She had acted as investment director at Invesco Hong Kong Limited from November 2004 to August 2012. From April 2003 to June 2004, she was a licensed representative for Manulife Asset Management (Hong Kong) Limited. Her other experience prior to this includes working at SEB Investment Management from January 1994 to March 2000 and Jardine Fleming Securities Limited from October 1989 to December 1993.

Ms. Ho obtained a degree of Master of Business Administration from The Faculty of the John E. Anderson Graduate School of Management of the University of California in the United States in June 1988 and a degree of Bachelor of Arts from Bryn Mawr College in the United States in May 1985. She is a chartered financial analyst accredited by The Institute of Chartered Financial Analysts in September 1998 in addition to being licensed under the SFC to act as a Responsible Officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Ms. Ho has also been a senior fellow of the Hong Kong Securities & Investment Institute since September 2014. Ms. Ho is the spouse of Mr. Ip, our chairman and an executive Director.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Khoo Wing Pui Charlotte (邱詠培) ("Ms. Khoo"), aged 27, joined our Group in September 2011 as a corporate finance executive and currently serves as a senior manager. In addition to providing corporate finance services to our clients and overseeing the day-to-day execution work of transaction teams, she supports (i) the investment committee on the implementation of our Group's investment strategy, particularly in the review of investment opportunities, the ongoing monitoring and review of our investment portfolio; and (ii) the executive management with regards to internal control matters. In August 2010, she obtained a degree of Bachelor of Science (Hons) in Economics from University College London in the United Kingdom. From October 2010 to September 2011, she worked at KPMG Tax Limited where her last position was as a tax consultant. Ms. Khoo has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 2015. She is licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as a licensed representative under the SFO.

Ms. Chan Ka Lam (陳嘉琳) ("Ms. Chan"), aged 38, joined our Group in July 2004 as an accountant and currently serves as a finance manager. Ms. Chan is responsible for the review of our Group's finance and accounting functions. Ms. Chan is also in charge of the finance and accounting function of JRAM SG whereby she is responsible for the reporting of Saizen REIT's financial and accounting conditions. Prior to joining our Group, Ms. Chan had served as an audit assistant with Poon & Company, CPA from April 2003 to June 2004 and an accountant with Fung Kiu Manufacturing Limited from July 1999 to April 2003. Ms. Chan obtained a degree of Bachelor of Arts (Hons) in Sociology from Hong Kong Baptist University and through long distance learning, a Bachelor of Science in Applied Accounting from Oxford Brookes University in the United Kingdom. She is also a member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Accountants in England and Wales and The Institute of Chartered Secretaries and Administrators.

Ms. Law Yin Nee (羅燕妮) ("Ms. Law"), aged 38, joined our Group in August 2003 as an assistant accountant. In her capacity as finance manager, Ms. Law is responsible for the review of our Group's finance and accounting functions. Ms. Law also serves as a finance manager for Saizen REIT where she is in charge of the finance and accounting function of JRAM SG and is responsible for the reporting of Saizen REIT's financial and accounting conditions. Prior to joining our Group, Ms. Law had worked in the accounting and audit department of Chan Li Law & Co from June 2000 to July 2003. Ms. Law is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She is also an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Securities and Administrators. Ms. Law graduated with a degree of Bachelor of Business Administration (Hons) in Accounting from Hong Kong Baptist University in December 2000.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARIES

Ms. Chan (陳嘉琳) and **Ms. Law** (羅燕妮) are our joint company secretaries. For details of their background, please refer to the paragraph headed “Senior management” in this section.

COMPLIANCE OFFICER

Ms. Leung (梁綽然) was appointed as the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) of our Company on 8 April 2016. Please refer to the paragraph headed “Executive Directors” above in this section for details about Ms. Leung’s qualifications and experience.

AUTHORISED REPRESENTATIVES

Mr. Ip and Mr. Chang are the authorised representatives of our Company for the purpose of the GEM Listing Rules.

EMPLOYEES

Function

As at 31 March 2015, 2016 and the Latest Practicable Date, the breakdown of our Group’s full-time employees by principal functions is set out below:

	For the years ended 31 March		As at the Latest
	2015	2016	Practicable Date
Senior executive	4	5	5
Advisory	9	12	13
Finance and accounts	5	5	5
Administration and IT	3	3	3
Total	21	25	26

We intend to hire additional competent personnel to complement our expansion plans as and when necessary.

Relationship with employees

Our Directors consider the fact that our Group has maintained good working relationships with our employees to be a key factor in the success of our business. We had not experienced any significant staff turnover which caused major disruption to our business operations arising from labour disputes or any other reason in the past. Our Group believes that our employee relations are satisfactory in general.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Staff training

We regularly arrange for our staff to attend professional training courses to keep them abreast of the development in the financial industry and relevant rules and regulations. All Responsible Officers and Licensed Representatives are required to undertake a sufficient number of hours of continuous professional training in order to maintain their SFC licences to carry on regulated activities.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration policy and staff benefits

During the Track Record Period, the total remuneration (including salaries and allowance, discretionary bonuses and contributions to defined contribution retirement benefits scheme) paid by us to our Directors for the years ended 31 March 2015 and 2016 were approximately HK\$2.6 million and HK\$6.0 million respectively.

Our Group has participated in a mandatory provident fund as prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

Our Group's principal policies concerning remuneration of Directors, senior management and employees are determined based on the relevant individual's duties, responsibilities, experience, skills, time commitment, performance of our Group and individual and comparable market levels. Our executive Directors may receive discretionary bonuses that shall be determined by our Board with regard to the performance of the relevant individual and operating results of our Group as a whole in respect of the financial year. Our independent non-executive Directors receive compensation in the form of director fees.

Each of our executive Directors and independent non-executive Directors has entered into either a service contract or letter of appointment with our Company for an initial term of three years with effect from the [REDACTED], which will continue thereafter until terminated by not less than three months' notice in writing. For details of the remuneration payable to our Directors, please refer to the paragraph headed "Directors' remuneration" in Appendix VI to this document.

GRANT OF CALL OPTIONS BY KHHL TO MR. CHANG AND MS. LEUNG

As a reward for the long term contribution of Mr. Chang and Ms. Leung to the development of our Group and as an incentive scheme to prepare for the [REDACTED], on 4 March 2016, KHHL, as grantor, entered into the Option Deeds with each of Mr. Chang and Ms. Leung respectively, as grantees (as supplemented by the supplemented deeds entered into between KHHL and each of Mr. Chang and Ms. Leung on 26 September 2016). Pursuant to the Option Deeds, in consideration of HK\$[REDACTED] paid by each Grantee, KHHL granted to the Grantees the Call Options on 4 March 2016.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Upon the exercise of the Call Options (subject to the terms and conditions of the Option Deeds), each of the Grantees is entitled to purchase a certain number of Option Shares which are held by KHHL as Controlling Shareholder.

Salient terms of the Call Options are set out below:

Date of grant:	4 March 2016
Grantee and number of Option Shares exercisable under the relevant Call Option:	<p>Mr. Chang – up to [REDACTED] Option Shares (representing approximately [REDACTED]% of the issued share capital of our Company immediately upon [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme))</p> <p>Ms. Leung – up to [REDACTED] Option Shares (representing approximately [REDACTED]% of the issued share capital of our Company immediately upon [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme))</p>
Exercise price:	HK\$[REDACTED] per Option Share (subject to adjustment)
Conditions precedent for the exercising of the Call Options:	<p>The exercise of the Call Options by the Grantees is conditional upon the fulfillment of the following conditions immediately before the first exercise of the Call Options:</p> <ul style="list-style-type: none">(i) the parties to the respective Option Deed having obtained or satisfied any and all necessary relevant statutory and regulatory requirements, approvals and consents in relation to the Option Deed and the transactions contemplated thereof;(ii) the [REDACTED] having taken place and one year having elapsed since the [REDACTED]; and(iii) the period prescribed under Rule 13.16 A(1)(a) of the GEM Listing Rules, being 6 months from the [REDACTED], having expired.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

None of the conditions precedent could be waived. If the conditions precedent are not fulfilled on or before 5:00 p.m. on 31 December 2018 or such later date as may be agreed between the parties to the respective Option Deeds in writing, the Call Options shall lapse, and the relevant Option Deeds shall lapse and become null and void, and the parties to the respective Option Deeds shall be released from all obligations thereunder, save for any antecedent breaches thereof.

Exercisable period:

The period commencing from the date falling on the first anniversary of the [REDACTED] and ending on the date falling on the forty-second month from the [REDACTED].

The number of Option Shares which may be purchased by the Grantee upon exercising the Call Option shall be subject to the following restrictions:

- (i) during the period commencing from the first day of the exercisable period (being the first anniversary of the [REDACTED]) until the second anniversary of the [REDACTED], up to 33% of the Option Shares can be purchased under the Call Options;
- (ii) during the period commencing from the second anniversary of the [REDACTED] until the third anniversary of the [REDACTED], up to 66% of the Option Shares can be purchased under the Call Options; and
- (iii) during the period commencing from the third anniversary of the [REDACTED] and until the end of the exercisable period, up to 100% of the Option Shares can be purchased under the Call Options.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Undertakings by KHHL:

KHHL has undertaken to the Grantees in the respective Option Deeds, amongst other things, in the event that our Company conducts an issue of new Shares as provided in the event item (ii) mentioned in the section headed "Adjustment to the exercise price" below, KHHL shall at its own costs subscribe or procure the subscription of such new Shares entitled by holding of the Option Shares not already purchased by the Grantees and such new Shares so subscribed shall become further Option Shares available to be purchased upon exercise of the Call Options by the Grantees.

Adjustment to the exercise price:

The exercise price of the Option Shares shall from time to time be adjusted in accordance with the terms of the Option Deeds in the following events:

- (i) any alteration in the capital structure of our Company arising from consolidation, sub-division or reduction of the share capital of the Company; or
- (ii) if and whenever our Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at whatever price on the date of the announcement of the terms of such offer or grant.

Upon the occurrence of an event above, the exercise price shall be adjusted such that the total amount of consideration payable by the Grantee for the purchase of all Option Shares under the respective Option Deeds upon exercising the Call Option in full will remain the same as that prior to such event.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Early termination of the exercisable period:

The exercisable period shall automatically terminate and the Call Options (to the extent not already exercised) shall automatically lapse on the earliest of:

- (i) the expiry of the exercisable period;
- (ii) the date upon which KHHL disposes of, or enters into any agreement or arrangement for the disposal of (other than the granting of the Call Options under the Option Deeds), its Shares resulting in its percentage shareholding in our Company falling or to be fallen below 30.0% of the then issued share capital of our Company; and
- (iii) the date on which the relevant Grantee resigns as or ceases to be a Director, employee or consultant of our Group.

The consideration of HK\$[REDACTED] and the initial exercise price of HK\$[REDACTED] per Option Share were of nominal value and was determined with reference to the fact that such Call Options were granted as reward and an incentive.

Upon exercising of the Call Options, the Option Shares purchased by the Grantees will not be subject to any lock-up undertakings.

Accounting treatment of the Call Options

The grant by KHHL of the Call Options over our Company's equity instruments to the Grantees is treated as a capital contribution. The fair value of services of the Grantees received, measured by the reference to the grant date fair value, is recognised over the vesting period in profit or loss, with corresponding credit to equity as contribution by KHHL. The reporting accountants considered that the accounting treatment adopted by our Group is consistent with HKFRS 2 "Share-based payment" issued by HKICPA.

As the Call Options were granted on 4 March 2016, the fair value charged to our combined statement of profit or loss and other comprehensive income for the year ended 31 March 2016 was approximately HK\$[REDACTED] and the estimated fair value will be charged to our combined statement of profit or loss and other comprehensive income for each of the years ending 31 March 2017, 2018, 2019 and 2020 in the approximate amount of HK\$[REDACTED], HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

We have appointed New Spring Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, New Spring Capital will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;
- (3) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules.

Pursuant to Rule 6A.24 of the GEM Listing Rules and the compliance adviser agreement entered into between New Spring Capital and our Company, New Spring Capital will, among other things:

- (1) ensure our Company is properly guided and advised as to compliance with the GEM Listing Rules and the Takeovers Code;
- (2) act as one of our principal channels of communication with the Stock Exchange, including accompanying our Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;
- (3) in relation to any application by our Company for a waiver from any of the requirements in Chapters 19 and 20 of the GEM Listing Rules, advise our Company on our obligations and in particular the requirement to appoint an independent financial adviser; and
- (4) assess the understanding of all new appointees to our Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, if any inadequacies are identified, recommend necessary remedial steps to our Directors.

Term

The term of appointment of New Spring Capital shall commence on the [REDACTED] and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the [REDACTED], subject to early termination.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Duties of our Company

Our Company shall fully comply with and discharge our responsibilities under the GEM Listing Rules and other applicable laws, regulations and codes relating to securities and corporate governance that are applicable to our Company.

During the term of the compliance adviser agreement, our Company must consult with and, if necessary, seek advice from New Spring Capital on a timely basis in the circumstances as required under Rule 6A.23 of the GEM Listing Rules.

Termination

The compliance adviser agreement can be terminated by either party upon giving the other party seven days written notice upon occurrence of certain events set out in the compliance adviser agreement entered into between New Spring Capital and our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Capitalisation Issue and the [REDACTED], KHHL, which is owned as to 20.0% by Ms. Chan and 80.0% by The Trustee, will be interested in [REDACTED]% of the issued share capital of our Company (assuming any options which may be granted under the Share Option Scheme, and the Call Options, are not exercised). Accordingly, KHHL, Ms. Chan, Mr. Ip and Ms. Ip will be our Controlling Shareholders. Details of our Group structure immediately after the Capitalisation Issue and the [REDACTED] are set out in the section headed “History, Reorganisation and corporate structure” of this document.

KHHL, our Directors and their respective close associates, Ms. Chan and Ms. Ip confirmed that apart from the business of our Group, they do not have any business or interest that competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) upon [REDACTED] for the following reasons:

Management independence

Our Board comprises three executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, other than Mr. Ip, who serves as one of the three directors of KHHL, there was no overlap of executive Directors and members of the senior management between our Group and KHHL. Each of our Directors is aware of his/her fiduciary duties as a Director which require, amongst other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In the circumstances where all our executive Directors are required to abstain from voting on board resolutions due to potential conflict of interest, it will fall to our independent non-executive Directors to exercise their business judgement to make decision as our Board. Given the experience of our independent non-executive Directors, details of which are set out in the section headed “Directors, senior management and employees” of this document, our Group believes that the remaining Board can still function properly in the event that all our executive Directors are required to abstain from voting. Our Group has also employed other senior management members who have the experience and calibre to conduct our Group’s business. Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders following completion of the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational independence

Our Directors consider that our operations do not depend on the operations of our Controlling Shareholders for the following reasons:

- (i) we have our own independent operational capabilities and independent access to customers and suppliers; and
- (ii) our Group's executive management team (comprising the three executive Directors) and senior management members, has extensive experience in the financial services industry, details of their experience are set out in the section headed "Directors, senior management and employees" of this document.

Our Group, our Controlling Shareholders and their respective close associates did not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently after [REDACTED].

Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent liquidity monitoring system and makes financial decisions according to our own business needs. During the Track Record Period, our Controlling Shareholders had provided financial assistance to our Group. All guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowings will be fully released and replaced by corporate guarantees to be provided by our Company upon [REDACTED].

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS AND FIRST RIGHT OF REFUSAL

Non-competition undertakings

To protect our Group from any potential competition, each of our Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Company (for ourselves and as trustee of our subsidiaries), pursuant to which our Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the continuation of the Deed of Non-Competition he/she/it would not, and would procure that his/her/its close associates (other than any member of our Group) would not, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business, or be interested or involved or engaged in or acquire or hold any right or interest, or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business, which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged in by our Group (including but not limited to (i) the provision of corporate finance services, and (ii) property investment activities in Japan, Hong Kong and any other country or jurisdiction (the “**Restricted Business**”)) subject to the exceptions and first right of refusal stated as follows:

Exceptions

Such non-competition undertaking does not apply to:

- (i) any interests in the shares of any member of our Group; or
- (ii) the associates of our Controlling Shareholders over which or whom each of them have no right and power to control; or
- (iii) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10.0% of that company’s consolidated revenue or assets, as shown in that company’s latest audited accounts; or
 - (b) the total number of the shares held by our Controlling Shareholders and/or their respective close associates in aggregate does not exceed 10.0% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate; or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) our Controlling Shareholders and/or their respective close associates do not have the control over the board of such company.

Further, each of our Controlling Shareholders has undertaken that during the period in which he/she/it and his/her/its close associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (a) he/she/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time, unless pursuant to the provisions stipulated in the Deed of Non-Competition;
- (b) he/she/it will not take any action, directly or indirectly, which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, (i) solicitation of any existing or then existing employees of our Group for employment by he/she/it or his/her/its close associates (excluding our Group), and (ii) solicitation of any current or then current customers and/or suppliers and/or former customers and/or suppliers of our Group for the preceding six months at the relevant time away from our Group;
- (c) he/she/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/her/its knowledge in his/her/its capacity as our Controlling Shareholder for any purposes; and
- (d) he/she/it will procure his/her/its close associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above, unless pursuant to the provisions stipulated in the Deed of Non-Competition.

The undertakings in (a) and (d) are subject to the exception that any of the close associates of our Controlling Shareholders (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business 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 the independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that relevant close associate of our Controlling Shareholders invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those offered to our Company. Subject to the above, if the relevant close associate of our Controlling Shareholders decides to be involved, engaged, or participate in the relevant Restricted Business, 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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

First right of refusal

In addition, pursuant to the Deed of Non-Competition, each of our Controlling Shareholders has undertaken that if any of our Controlling Shareholders is offered or becomes aware of, and/or if each of them becomes aware that any of his/her/its close associates (other than any members of the Group) is offered or becomes aware of, any project or new business opportunity that relates to the Restricted Business ("**New Business Opportunity**") which he/she/it wants to pursue, whether directly or indirectly, he/she/it shall first (i) promptly within ten (10) Business Days notify our Company in writing of such opportunity and provide all relevant information (including the nature of the New Business Opportunity and the investment or acquisition cost) and such other information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such New Business Opportunity; and (ii) using his/her/its best endeavour to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such New Business Opportunity is offered to him/her/it and/or his/her/its close associates.

All of our Directors (excluding those who is/are interested in the New Business Opportunity and has/have conflict of interests with our Company) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within fifteen (15) Business Days (the "**15-day Offering Period**") of receipt of notice from our Controlling Shareholders, our Controlling Shareholders and/or his/her/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. During such 15-day Offering Period, if there is a material change in the terms and conditions of the New Business Opportunity, the Controlling Shareholders shall refer to such material change in the terms and conditions of the New Business Opportunity to our Company, and the 15-day Offering Period shall commence again from such date of receipt of the notification from the Controlling Shareholders by our Company. With respect to the 15-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity.

The Deed of Non-Competition shall take effect upon [REDACTED] and shall expire on the earlier of:

- (a) the day on which the Shares cease to be listed on GEM or other recognised stock exchange; or
- (b) the day on which our Controlling Shareholders and his/her/its close associates, individually or taken as a whole, cease to own, in aggregate, 30.0% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholders and do not have power to control our Board or there is at least one other independent shareholder other than our Controlling Shareholders and his/her/its close associates holding more Shares than our Controlling Shareholders and his/her/its close associates taken together.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Upon [REDACTED], we will be required to comply with stringent requirements concerning internal controls and corporate governance as stipulated under the GEM Listing Rules. In this regard, our Directors and Controlling Shareholders confirm that neither they nor their respective close associates have any interest in a business, apart from the business of our Group, including properties which in light of their size, locality, nature and targeted tenants, competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules. Each of our Directors has confirmed that he/she fully comprehends his obligations to act in the best interests of our Company and the Shareholders as a whole.

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interests between us and our Controlling Shareholders and to safeguard the interests of our Shareholders:

- our Company adopted the Articles on 26 September 2016, the provisions of which are in compliance with requirements of the Companies Law and the GEM Listing Rules. Generally, unless otherwise provided in the Articles, a Director is prohibited under the Articles from voting (or being counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have any material interest, and if he shall do so his vote shall not be counted (and he shall not be counted in the quorum for that resolution);
- pursuant to the service contracts made between our Company and each of our executive Directors on 26 September 2016, each executive Director has agreed, among others, that at any time during the continuance of his/her employment thereunder or for a period of 3 months thereafter, he/she shall not in any country or place where any member of our Group carries on business, carry on or be employed, concerned or interested in carrying on, any business in competition with any member of our Group (other than as a holder of not more than five percent (5%) of the issued shares or debentures of any company listed on any recognised stock exchange);
- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- our Controlling Shareholders have undertaken to us that they will, and will procure their respective close associates to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition, including the decision and related basis to accept or decline any New Business Opportunity, in our annual report or by way of announcement to the public in compliance with the requirements of the GEM Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report;
- the executive Directors will ensure that any material conflict or material potential conflict of interests involving the New Business Opportunity will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the New Business Opportunity. The conflicted Directors shall refrain from participating in our Board meetings on which resolutions with material conflict or material potential conflicts of interest are discussed;
- in the event that the material conflict or material potential conflict of interests involving the New Business Opportunity may materialise, our Controlling Shareholders and their close associates will abstain from voting in the Shareholders' meeting with respective resolution(s), considering such acquisition;
- our Company has set up an audit committee on 26 September 2016 to review and supervise our Company's financial reporting process, internal control and risk management systems of our Group and to monitor any continuing connected transactions, all members of which are independent non-executive Directors; and
- our Group has appointed New Spring Capital as our Compliance Adviser, particulars of the terms of appointment are set forth under the paragraph headed "Compliance Adviser" under the section headed "Directors, senior management and employees" of this document.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 20 of the GEM Listing Rules, our Directors, substantial Shareholders and chief executives or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months immediately preceding the [REDACTED], and any of their respective associates will become a connected person of our Company upon [REDACTED]. Upon [REDACTED], our transactions with such connected persons will constitute connected transactions of our Company under Chapter 20 of the GEM Listing Rules. Our Directors confirm that the following transactions with our connected persons will continue and will constitute connected transactions of our Company under Chapter 20 of the GEM Listing Rules upon [REDACTED].

The table below sets forth the connected person of our Company involved in the connected transactions and its connection with our Group:

Name of connected person	Relationship with our Group
Mr. Takehisa Tei	Mr. Takehisa Tei is a director of four of the TK Operators, namely YK Houten, GK Bohol, YK Hourei and GK Choun. The TK Operators, as elaborated in the paragraph headed “Critical accounting judgements” in the section headed “Financial information” of this document, are deemed to be controlled by our Group and thus are considered as our subsidiaries. Mr. Takehisa Tei is therefore our connected person pursuant to Rule 20.07 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM SHAREHOLDERS’ APPROVAL, ANNUAL REVIEW AND ALL DISCLOSURE REQUIREMENTS

During the Track Record Period, as part of our TK Arrangements in relation to our investing activities in Japan (as further elaborated in the section headed “Our TK Arrangements” of this document), our Group had engaged Kasumigaseki International Accounting Office (“KIA”) to carry out the accounting functions for five of the TK Operators. As part of our relevant TK Arrangement, the owner of KIA, namely Mr. Takehisa Tei (“Mr. Tei”) also served as director for four of the TK Operators. As elaborated in the paragraph headed “Critical accounting judgements” in the section headed “Financial information” of this document, TK Operators are deemed to be controlled by our Group and thus are considered as our Company’s subsidiaries. Given his roles as director of the relevant TK Operators, the accounting and tax services provided by KIA to our Group constituted continuing connected transactions for our Company pursuant to the GEM Listing Rules.

CONNECTED TRANSACTIONS

KIA is engaged in, amongst other things, the provision of accounting and tax services for corporations and sole proprietors and has been providing such services to our Group since 2001. During the Track Record Period, KIA provided services to five out of six of the TK Operators, namely, YK Hourei, YK Houten, GK Bohol, GK Choun, and GK Mameha (the remaining had engaged an Independent Third Party). Our Group expects that KIA will continue to provide such services to us in view of long-established business relationship. Notwithstanding the above, if required, our Directors believe that our Group will be able to engage alternative service providers at prices comparable to that of KIA. During the years ended 31 March 2015 and 2016, the service fees paid by our Group to KIA amounted to approximately HK\$0.4 million and HK\$0.4 million respectively.

On 12 April 2016, our Group entered into five memoranda with KIA to supplement the agreements entered into between the relevant TK Operators and KIA, pursuant to which KIA would provide accounting and tax services to our Group ("**KIA Service Agreements**"). Pursuant to the KIA Service Agreements, the fees shall be determined on an arm's length basis based on the prevailing market rates or at rates similar to those offered by KIA to Independent Third Parties. The KIA Service Agreements have a term commencing from renewal date of original agreements to the respective financial year ends of the TK Operators (being 30 June 2016 for GK Bohol, GK Choun and GK Mameha and 31 December 2016 for YK Hourei and YK Houten). Our Group has the right to renew the KIA Service Agreements by written notification for a further 12 months.

It is expected that the annual cap for the aggregate fees payable under the KIA Service Agreements will be HK\$0.4 million for year ending 31 March 2017. Such annual cap was determined by our Group taking into account (i) the historical fees paid to KIA during the Track Record Period; and (ii) comparable prices which our Group is willing to pay to Independent Third Parties for the provision of similar accounting and tax services.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the annual cap for the aggregate fees payable under the KIA Services Agreements, are less than 5.0% and the annual consideration is less than HK\$3.0 million, the transactions contemplated under the KIA Service Agreements fall within the exemption under Rule 20.74 of the GEM Listing Rules and be fully exempt from Shareholders' approval, annual review and all disclosure requirements.

DIRECTORS' VIEW

Based on the above, our Directors (including our independent non-executive Directors) are of the view that the KIA Service Agreements (including the terms and conditions and annual cap thereof) have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms which are fair and reasonable and in the interests of our Company and Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following completion of the Capitalisation Issue and the [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in 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 who is, directly or indirectly, interested in 10.0% or more of the issued voting shares of any other member of our Group:

(a) *Interests or short positions in our Company*

Name of Shareholder	Nature of interest	Shares held as at the date of submission of the application for [REDACTED]		Shares held immediately following completion of the Capitalisation Issue and the [REDACTED]	
		Number ^(Note 1)	Approximate percentage	Number ^(Note 1)	Approximate percentage
KHHL ^(Note 2)	Beneficial owner	1 (L)	100.0%	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
The Trustee	Trustee	1 (L)	100.0%	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
Ms. Chan ^(Note 2)	Founder of a discretionary trust	1 (L)	100.0%	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
Mr. Ip ^(Note 2)	Beneficiary of a trust	1 (L)	100.0%	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
Ms. Ip ^(Note 2)	Beneficiary of a trust	1 (L)	100.0%	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
Ms. Ho ^(Note 4)	Interest of spouse	1 (L)	100.0%	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]

Notes:

- The letters “L” and “S” denote a long position and a short position in our Shares respectively.
- KHHL is owned as to 20.0% by Ms. Chan and as to 80.0% by The Trustee on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Mr. Ip and Ms. Ip are beneficiaries. By virtue of the SFO, the Trustee, Ms. Chan, Mr. Ip and Ms. Ip are deemed to be interested in all the Shares held by KHHL.
- Pursuant to the Option Deeds entered into between KHHL and each of Mr. Chang and Ms. Leung, KHHL granted Call Options to Mr. Chang and Ms. Leung, entitling them to purchase from KHHL up to [REDACTED] and [REDACTED] Option Shares, representing approximately [REDACTED] and [REDACTED] of the issued share capital of our Company (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), at the exercise price of HK\$[REDACTED] per Option Share (subject to adjustment). Please refer to the paragraph headed “Grant of Call Options by KHHL to Mr. Chang and Ms. Leung” in the section headed “Directors, senior management and employees” of this document for further details of the Call Options.
- Pursuant to the SFO, Ms. Ho, the spouse of Mr. Ip, is deemed to be interested in all the Shares in which Mr. Ip is deemed to be interested in.

SUBSTANTIAL SHAREHOLDERS

(b) *Interests or short positions in other members of our Group*

Name of shareholder	Name of member of our Group	Nature of interest	Number of shares ^(Note)	Percentage of shareholding
Ms. Ho	I Corporation	Beneficial owner	14 (L)	20.0%
Mr. Shih	Smart Tact	Beneficial owner	922 (L)	10.0%
	Residence	Beneficial owner	300 (L)	10.0%
Mr. Lo	Residence	Interest in controlled corporations	300 (L)	10.0%
	EXE	Beneficial owner	10 (L)	10.0%

Note: The letter "L" denotes a long position in the shares.

Except as disclosed in this document, our Directors are not aware of any person who will, immediately prior to and following completion of the Capitalisation Issue and the [REDACTED] (without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in any 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 who is, directly or indirectly interested in 10.0% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):

		Nominal value HK\$
Authorised share capital:		
<u>5,000,000,000</u>	Shares	<u>50,000,000.00</u>
		Nominal value HK\$
Issued and to be issued, fully paid or credited as fully paid:		
1	Share in issue as of the date of this document	0.01
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
<u>[REDACTED]</u>	Shares to be issued under the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u>	Total	<u>[REDACTED]</u>

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the [REDACTED] are completed, without taking into account of any Shares which fall to be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in the paragraph headed “General mandate to allot and issue new Shares” or the paragraph headed “General mandate to repurchase Shares” in this section (as the case may be).

RANKINGS

The [REDACTED] will carry the same rights as all Shares in issue or to be issued as mentioned in this document and, in particular, will qualify for all dividends or other distribution declared, made or paid on our Shares in respect of a record date which falls after the [REDACTED] save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

MINIMUM [REDACTED]

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the [REDACTED] and at all times thereafter, at least [REDACTED] of the issued share capital of our Company must be held in the hands of the public (as defined in the GEM Listing Rules). The [REDACTED] represent [REDACTED] of the issued share capital of our Company upon [REDACTED].

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20.0% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (2) the aggregate nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by any applicable laws or its Articles to hold its next annual general meeting; or
- (iii) when varied, or revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "3. Written resolutions of our sole Shareholder passed on 26 September 2016" in the section headed "Further information about our Group" in Appendix VI to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10.0% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "6. Repurchases by our Company of our own securities" in the section headed "A. Further information about our Group" in Appendix VI to this document.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "3. Written resolutions of our sole Shareholder passed on 26 September 2016" in the section headed "A. Further information about our Group" in Appendix VI to this document.

SHARE OPTION SCHEME

Pursuant to the written resolutions of our sole Shareholder passed on 26 September 2016, we conditionally adopted the Share Option Scheme. Summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "1. Share Option Scheme" in the section headed "Other Information" in Appendix VI to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, namely ordinary Shares, each of which carries the same rights as with the other Shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolutions of shareholders (i) increase its capital; (ii) consolidate 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 or redeem its share capital by a special resolution passed by our Shareholders. For more details, please refer to the paragraph headed "Alteration of capital" in Appendix V to this document.

SHARE CAPITAL

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our 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 of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For more details, please refer to the paragraph headed "Variation of rights of existing shares or classes of shares" in Appendix V to this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

FINANCIAL INFORMATION

Prospective investors should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants’ Report in Appendix I to this document. Our Group’s combined financial statements have been prepared in accordance with the accounting policies which conform with HKFRSs. Prospective investors should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contained certain forward-looking statements that reflect current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group’s expectations and projections depends on a number of risk and uncertainties over which our Group does not have control. For further information, prospective investors should refer to the section headed “Risk factors” of this document.

OVERVIEW

We focus on corporate finance and property investment. With regards to the former, we primarily offer financial advisory, sponsorship and compliance advisory services to our clients. For the latter, our Group invests in real estate (predominantly in Japan). During the Track Record Period, our revenue was mainly derived from (i) service income generated by our corporate finance services, including financial advisory fees, sponsorship fees and compliance advisory fees; and (ii) rental income generated by property investment activities. Details of the breakdown of our Group’s revenue by business activities of our Group are set out in the paragraph headed “Revenue” in this section.

BASIS OF PREPARATION

The financial information has been prepared by our Directors based on accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation as set out in note 2 in section A of the Accountants’ Report contained in Appendix I to this document, and no adjustments have been made in preparing the financial information.

CRITICAL ACCOUNTING POLICIES

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

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other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 5 in section A of the Accountants' Report contained in Appendix I to this document.

The following paragraphs discuss the critical accounting policies applied in preparing our financial statements:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts.

Corporate finance service income is recognised when the underlying services have been provided or the achievement of the significant acts in accordance with the terms of the service agreement.

Rental income is recognised on a straight-line basis over the terms of the relevant leases.

Administrative fee income and marketing service income is recognised in accordance with the terms of contract when the relevant services have been rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to our Group and the amount can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land and building (classified as finance leases) held for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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.

Our Group as lessor

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

Leasehold land and building

When a lease includes both land and building elements, our Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to our Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the combined statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the combined financial statements, the assets and liabilities of our Group's foreign operations are translated into the presentation currency of our Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Impairment losses on tangible assets

At the end of the reporting period, our Group reviews the carrying amounts of its tangible assets 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, our 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 as expense immediately in profit or loss.

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

Amendments to HKAS 1 disclosure initiative

Our Directors and the reporting accountants of our Company anticipate that the application of amendments to HKAS 1 in the future may result in changes in the presentation of, and disclosures in, our Group's financial information, including the contents and layout of its financial statements. These changes, which may be material, include the following:

- (i) the types and the order of information presented in the financial statements are determined by our management team using their judgement;
- (ii) our management team is required to present the financial statements so as to enhance the understandability of entity's financial position and financial performance; and
- (iii) the significant accounting policies are not required to be disclosed in single notes to the financial statements, but instead can be included with the related information in respective notes to the financial statements.

In light of the above, our Directors and the reporting accountants of our Company will give careful consideration to these presentation requirements as necessary, taking into account our Group's business and financial situation at the point in time.

CRITICAL ACCOUNTING JUDGEMENTS

Combination of the TK Operators

We invest in investment properties located in Japan by entering into our TK Arrangements as TK Investor with the TK Operators, which are the property holding companies. The relationship between the TK Operators and TK Investors is governed by our TK Agreements, whereby the TK Investors provide funds to the TK Operators in return for income derived from the investment properties held by the TK Operators. Under our TK Agreements, profits or losses generated from TK Operators will be returned to us periodically. Therefore, we are exposed to the substantial risks and rewards through our TK Agreements entered into with the TK Operators and the underlying property holding business. Furthermore, our Group exercises control over the TK Operators by making decisions to direct the relevant activities, e.g. investment decision making (including acquisition and disposal of properties and financing activities), monitoring of leasing status and rental income from our Properties, etc.

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Based on the substance of our TK Arrangements and legal advice, our Directors are of the view that we exercised control in the TK Operators during the years ended 31 March 2015 and 2016. Given the above, the financial information set out in the Accountants' Report in Appendix I to this document is presented on a group basis by combining our Company, our subsidiaries and the TK Operators in accordance with HKFRS 10 Consolidated Financial Statements. Please also refer to the paragraph headed "Accounting implications" under the section headed "Our TK Arrangements" of this document.

MAJOR FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Due to the nature of our Group's corporate finance services, our corporate finance business is transaction-driven and our revenue is directly related to the number and size of the transactions undertaken by our Group. In addition, our corporate finance services segment focuses on the Hong Kong market. As aforementioned, our Group also maintains an investment portfolio comprising mostly real estate investment in Japan and Hong Kong. Taking these into account, our Directors consider that the major factors affecting our revenue include:

- (i) the performance and sentiments with regards to the Hong Kong securities market and the real estate markets in Japan and Hong Kong;
- (ii) the changes in the laws and regulations governing (a) the financial service industry in Hong Kong; (b) the real estate investment activities in Japan and Hong Kong; and
- (iii) movements in the JPY value against HK\$.

The performance and sentiments with regards to the Hong Kong securities market and the real estate markets in Japan and Hong Kong

As a substantial part of our revenue is generated from the provision of corporate finance services to listed clients or clients seeking to list on the Stock Exchange, our Group's financial performance is linked to the overall performance of the Hong Kong securities market and general economic sentiments. In this regard, given that the Hong Kong securities market is inherently capricious and affected by the global economic and political setting, our financial performance may be affected by volatility in the Hong Kong securities market.

On the other hand, the value of our investment portfolio as well as the income derived therefrom are correlated to the performance and sentiments of the real estate markets in which our Properties are located, being Japan and Hong Kong. Real estate markets are driven by a combination of factors, more notably, demographic trends, domestic interest rates, general economic conditions, related governmental policies and overall market sentiments. Significant developments, be they favourable or adverse, in the real estate market would affect the value of our investment portfolio as well as the income derived therefrom and in turn affect our Group's financial performance.

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The changes in the laws and regulations governing (a) the financial service industry in Hong Kong; and (b) the real estate investment activities in Japan and Hong Kong

As disclosed in the section headed "Regulatory overview" of this document, our Group's corporate finance segment is highly regulated with numerous licensing, financial requirements and code of conducts which our relevant operating subsidiaries, Altus Capital and Altus Investments, Responsible Officers and Licensed Representatives are required to comply with. Any regulatory changes may result in changes to our Group's business activities and affect our financial performance.

As at the Latest Practicable Date, our Group, in the course of maintaining our real estate investment portfolio, is subject to the requirements set out in the section headed "Regulatory overview" of this document. Any regulatory changes, such as the taxation status of our TK Arrangements or restriction on foreign ownership in Japan over real estate may impact our investment activities and thereby our Group's financial performance.

Movements in the JPY value against HK\$

A substantial part of our revenue, operating costs and assets are denominated in JPY. As a floating currency, the exchange rates of JPY against foreign currencies, including the HK\$ (the currency in which our Group's financial statements are presented) are affected by, amongst other things, Japan's political economic conditions as well as general sentiment, which may at times, be speculative. Whilst our Group monitors the matching of the currencies of our debt with (i) the collateral assets; and (ii) the debt servicing income derived from our business activities, since our Group's financial statements are presented in HK\$, our Group's results of operations are highly affected by fluctuations in the exchange rates of the JPY against the HK\$. Please refer to the paragraph headed "Financial risks" in this section for further analysis.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth the summary of our combined statements of profit or loss for the years ended 31 March 2015 and 2016, as derived from the Accountants' Report set out in Appendix I to this document.

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Summary of combined statements of profit or loss

	For the year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Revenue	34,414	48,160
Other income	4,233	13,082
Net increase/(decrease) in fair value of investment properties	6,166	(303)
Changes in fair value of derivative financial liabilities	(216)	(512)
Impairment loss on available-for-sale investments	–	(4,692)
Property expenses	(6,613)	(6,994)
Administrative and operating expenses	(19,316)	(27,708)
Share of results of associates	3,470	4,372
Finance costs	(2,478)	(3,317)
Profit before tax	19,660	22,088
Income tax expense	(3,706)	(4,395)
Profit for the year	15,954	17,693

During the years ended 31 March 2015 and 2016, our Group recorded revenue of approximately HK\$34.4 million and HK\$48.2 million respectively and profit for the year of approximately HK\$16.0 million and HK\$17.7 million respectively. Prospective investors should note the analysis of our Group's past financial performance as further elaborated below.

Revenue

Our Group's revenue comprises two major components: (i) service income generated by our corporate finance services, including sponsorship fees, financial advisory fees and compliance advisory fees; and (ii) rental income generated by our real estate investment portfolio.

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Set out below the breakdown of revenue by business activities for the years ended 31 March 2015 and 2016.

	For the year ended 31 March					
	2015			2016		
			No. of active engagements/ investment properties			No. of active engagements/ investment properties
	HK\$'000	%	(Note)	HK\$'000	%	(Note)
<i>Corporate finance services</i>						
Sponsorship	6,677	19.4	6	17,036	35.4	11
Financial advisory	5,712	16.6	36	6,381	13.2	44
Compliance advisory	2,286	6.7	4	3,223	6.7	7
Other corporate finance services	702	2.0	4	166	0.4	3
Subtotal	15,377	44.7	50	26,806	55.7	65
<i>Investment portfolio</i>						
Rental income from Properties in Japan	17,347	50.4	13	19,655	40.8	14
Rental income from Property in Hong Kong	1,690	4.9	1	1,699	3.5	1
Subtotal	19,037	55.3	14	21,354	44.3	15
Total	34,414	100.0		48,160	100.0	

Note: Active engagements/investment properties represent engagements/investment properties from which our Group had derived revenue during the relevant year.

As illustrated in the table above, our Group's total revenue, at approximately HK\$48.2 million for the year ended 31 March 2016 recorded a growth of approximately 39.9% from approximately HK\$34.4 million for the year ended 31 March 2015, primarily due to the significant growth in service fee income from our corporate finance activities of approximately 74.3%. During the year ended 31 March 2015, rental income from our Properties accounted for approximately 55.3% of our Group's total revenue, with the remaining portion of revenue contributed by our corporate finance services. During the year ended 31 March 2016, corporate finance segment was the larger contributor to our Group's total revenue accounting for approximately 55.7% of our Group's total revenue. We set out further analysis below.

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(i) Corporate finance services

Fee income derived from our corporate finance activities during the Track Record Period was derived from services provided in Hong Kong mainly to companies listed or companies seeking to list on Main Board or GEM.

(a) Sponsorship

Revenue from sponsorship represents our service fee for acting as sponsor for companies seeking for listings on the Stock Exchange. Revenue derived from such services is recognised upon completion of the relevant significant act. Our sponsorship fees are charged by stages with reference to the progress of the listing applications of our clients, while the duration of sponsorship engagements may vary with the complexity of the deal.

Out of the revenue derived from corporate finance services, fees derived from sponsorship work accounted for the largest portion, representing approximately 19.4% and 35.4% of total revenue for the years ended 31 March 2015 and 2016 respectively. The increase in number of active sponsorship engagements from 6 during the year ended 31 March 2015 to 11 (including existing and new engagements at various stages of listing preparation and application) for the corresponding period in 2016 resulted in approximately 155.1% growth in revenue from approximately HK\$6.7 million to HK\$17.0 million derived from sponsorship work. Further, the achievement of relevant significant acts for certain sponsorship transactions by us during the year ended 31 March 2016 also contributed to such growth.

(b) Financial advisory

Revenue from financial advisory services represents fees generated from the provision of services for acting as (i) financial adviser to companies listed on the Stock Exchange, private companies and individuals; and (ii) independent financial adviser to the independent board committees and independent shareholders of companies listed on the Stock Exchange. Revenue from such services are recognised upon delivery of services. Due to the diversity of corporate finance transactions, our fees for financial advisory would vary on a case-by-case basis depending on amongst other things, the complexity of the deal and the scope of our work. A rise in the number of active engagements for a certain period may not necessary lead to a rise in revenue derived from financial advisory work, and vice versa.

Revenue derived from financial advisory work accounted for approximately 16.6% and 13.2% of our Group's total revenue during the years ended 31 March 2015 and 2016 respectively. Comparing the years ended 31 March 2015 to 2016, the number of active engagements with respect to our financial advisory service increased from 36 to 44. During the same period, revenue from financial advisory work increased by approximately 11.7% from approximately HK\$5.7 million to HK\$6.4 million.

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(c) Compliance advisory

Revenue from compliance advisory represents fees generated from acting as compliance adviser to newly listed companies for the provision of advisory services with regards to the Listing Rules, the GEM Listing Rules and the Takeovers Code applicable to the clients throughout the term of engagement. Due to the nature of such retained service, we charge a fixed fee periodically over our term as compliance adviser for the clients which is recognised over the engagement period. The portion of total revenue derived from compliance advisory work remained steady throughout the Track Record Period, accounting for approximately 6.6% and 6.7% of total revenue during the years ended 31 March 2015 and 2016 respectively. In particular, revenue derived from compliance advisory work recorded an increase of approximately 41.0% from approximately HK\$2.3 million to HK\$3.2 million for the year ended 31 March 2016 when compared to the preceding year. This is primarily due to an increase in the number of active engagements from 4 to 7 during the period, which included appointments by our sponsorship clients and other newly listed companies on the Stock Exchange.

(d) Others

Revenue categorised under this category comprised fees generated from (i) acting as listing agents for ETFs seeking to list on the Stock Exchange; and (ii) introductory fee received from referral of customers to our associate, KK Tenyu AM. Please refer to the paragraph headed "Related party transactions" in this section for further details of the introductory fee.

(ii) Rental income from property investment

Rental income derived from our Properties mainly represented rental received from tenants of our real estate portfolio. Such rental income accounted for approximately 55.3% and 44.3% of total revenue for the years ended 31 March 2015 and 2016, with such decrease in percentage of contribution to our total revenue being attributable to the increase in corporate finance revenue recognised over the same period. The following table sets out a breakdown of our revenue derived from each Property, the average monthly rent and the occupancy rate of each Property.

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Property name	For the year ended 31 March							
	2015				2016			
	Average monthly rent per unit of net lettable area HK\$ per sq. ft.	Average occupancy %	Rental income HK\$'000	% of total rental income %	Average monthly rent per unit of net lettable area HK\$ per sq. ft.	Average occupancy %	Rental income HK\$'000	% of total rental income %
<i>Japan</i>								
1. Ark Palace Hiragishi	14.3	88.7%	2,492	13.1%	13.3	98.9%	2,311	10.8%
2. LC One	11.3	94.9%	889	4.7%	12.6	98.1%	995	4.7%
3. Libress Hiragishi	6.8	90.0%	937	4.9%	6.8	92.8%	943	4.4%
4. Nouvelle 98	8.7	83.2%	1,442	7.6%	8.6	89.7%	1,429	6.7%
5. South 1 West 18 Building	10.5	77.1%	1,960	10.3%	10.3	81.5%	1,923	9.0%
6. T House	10.1	91.7%	822	4.3%	9.4	96.9%	763	3.6%
7. Tommy House Hiragishi	9.2	94.3%	968	5.0%	8.3	94.9%	873	4.1%
8. White Building A & B	8.6	100.0%	1,403	7.4%	8.8	100.0%	1,432	6.7%
9. City Court Suginami	9.1	92.2%	1,497	7.9%	8.1	89.5%	1,329	6.2%
10. Azabu Sendaizaka Hills (Note 1)	14.4	42.9%	347	1.8%	19.1	85.7%	2,760	12.9%
11. Crown Building (Note 1)	–	–	–	–	19.7	100.0%	415	1.9%
12. Residence Motoki	11.7	77.5%	1,688	8.9%	10.0	85.5%	1,438	6.7%
13. Wealth Fujisaki (Note 1)	6.3	95.5%	556	2.9%	10.0	91.1%	888	4.2%
14. Rise Shimodori EXE	13.8	96.7%	2,346	12.3%	12.7	95.2%	2,156	10.1%
Sub-total/average	<u>10.4</u>	<u>86.5%</u>	<u>17,347</u>	<u>91.1%</u>	<u>11.3</u>	<u>92.9%</u>	<u>19,655</u>	<u>92.0%</u>
<i>Hong Kong</i>								
15. 8th Floor, Hong Kong Diamond Exchange Building	62.1	100.0%	1,690	8.9%	62.5	100.0%	1,699	8.0%
Total/average		<u>87.5%</u>	<u>19,037</u>	<u>100.0%</u>		<u>91.8%</u>	<u>21,354</u>	<u>100.0%</u>

Notes:

- During the Track Record Period, our Group acquired one Property in Fukuoka, being Wealth Fujisaki, in August 2014 and two Properties in Tokyo, being Azabu Sendaizaka Hills and Crown Building in February and July 2015 respectively.
- Our understanding is that the previous owner was exploring the possibility of selling the units on a strata title basis prior to our acquisition in February 2015 and intentionally left certain units unoccupied. Therefore the average occupancy rate for this Property during the year ended 31 March 2015 at approximately 42.9% was lower than the rest of our Properties. The average occupancy rate had improved to approximately 85.7% during the year ended 31 March 2016.

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When compared to the preceding year, rental income derived from our Properties increased from approximately HK\$19.0 million to HK\$21.4 million, representing a growth of approximately 12.2% for the year ended 31 March 2016. The growth for the aforesaid year was primarily due to the acquisitions of two Properties in Tokyo in February 2015 and July 2015 respectively, which further expanded the size of our rental income generating investment portfolio during the year ended 31 March 2016. Meanwhile, due to their locale in Tokyo, the capital of Japan, they were also able to command higher average monthly rent per sq. ft. of net lettable area compared to our Properties in other parts of Japan.

For the years ended 31 March 2015 and 2016, rental income derived from our Properties in Japan was approximately HK\$17.3 million (equivalent to approximately JPY244.7 million) and HK\$19.7 million (equivalent to approximately JPY304.3 million) respectively, representing an increase of approximately 13.3% (when calculated in terms of HK\$) and approximately 24.4% (when calculated in terms of JPY without translation effect of exchange rate) for the said period. On the other hand, rental income derived from the Property in Hong Kong remained stable at approximately HK\$1.7 million for each of the years ended 31 March 2015 and 2016. The occupancy rate of our Properties remained steady during the Track Record Period.

Gross profit

Due to the nature of our Group's business, we do not have any costs of goods sold or services provided and hence no gross profit.

Other income

	For the year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Bank interest income	5	0.1%	7	0.1%
Net exchange gain	341	8.0%	221	1.7%
Dividend income from				
available-for-sale investments	658	15.5%	8,038	61.4%
Gain on disposal of				
available-for-sale investments	36	0.9%	1,412	10.8%
Reversal of impairment allowances of trade				
receivables	5	0.1%	158	1.2%
Administrative fee income	2,902	68.6%	2,991	22.9%
Marketing service income	262	6.2%	230	1.7%
Sundry income	24	0.6%	25	0.2%
	<u>4,233</u>	<u>100.0%</u>	<u>13,082</u>	<u>100.0%</u>

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As disclosed in the table above, other income during the year ended 31 March 2015 mainly consisted of administrative fee income and dividend income from available-for-sale investments. Administrative fee income is derived from the provision of administrative and accounting services to our associate, JRAM SG, the manager of Saizen REIT, and is calculated on a cost recovery basis taking into account time cost incurred by our staff and related expenses incurred for rendering the services. Such income had remained steady during the years ended 31 March 2015 and 2016 at approximately HK\$2.9 million and HK\$3.0 million respectively, recording a nominal increment of 3.1%. Going forward, following the disposal of the entire portfolio of real estate assets of Saizen REIT and its possible dissolution or the proposal (as outlined in the paragraph headed “Japan Residential Assets Manager Limited” under the section headed “History, Reorganization and Corporate Structure”) of this document, our Directors expect a declining demand for such administrative and accounting services. Please refer to the paragraph headed “Related party transactions” in this section for further details.

Our Group recorded net exchange gain of approximately HK\$0.3 million and HK\$0.2 million for the years ended 31 March 2015 and 2016 respectively. For the aforesaid years, the exchange rate of HK\$ against JPY was approximately 14.1044 and 15.4799 respectively.

Our Group recorded dividend income from available-for-sale investments of approximately HK\$8.0 million for the year ended 31 March 2016, as compared to approximately HK\$0.7 million for the year ended 31 March 2015. The increase is mainly attributable to the receipt of a special dividend from Saizen REIT following the disposal of its portfolio during the year ended 31 March 2016. Such special dividend represented a substantial return of capital of Saizen REIT. Consequently, the unit price of Saizen REIT experienced a significant decrease following such distribution, resulting in the approximately HK\$4.7 million impairment loss on available-for-sale investments. Please refer to the paragraphs headed “Impairment loss on available-for-sale investments” in this section and “Japan Residential Assets Manager Limited” under the section headed “History, Reorganisation and corporate structure” of this document for further details. Our Group also recognised one-off gain on disposal of available-for-sale investments of approximately HK\$1.4 million for the year ended 31 March 2016. Such investments are securities listed on the Stock Exchange as well as the Singapore Stock Exchange Securities Trading Limited. Marketing service income represented income received from our associate KK Tenyu AM for the marketing activities undertaken by our Group which enabled us to refer customers to them. Please refer to the paragraph headed “Related party transactions” in this section for further details.

Net increase/(decrease) in fair value of investment properties

During the years ended 31 March 2015 and 2016, we recorded net increase in fair value of our Properties of approximately HK\$6.2 million and a net decrease in fair value of approximately HK\$0.3 million respectively primarily in relation to our Property in Hong Kong. During the Track Record Period, other than one self-occupied property in Hong Kong, all of our Properties, were held for rental purpose and classified as investment properties. Net increase in fair value of our Properties representing the unrealised net increase in the fair value of our Properties, is derived from the change in fair value of the respective Properties and

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taking into account exchange rate realignment for the relevant period. In line with market practice, the fair value of the Property in Hong Kong was estimated using the investment approach as well as the comparison approach whilst the fair values of our Properties in Japan were estimated using the discounted cash flow approach with reference to the direct capitalisation approach and market approach, being the valuation methods adopted in the valuation reports set out in Appendix III and IV to this document. Please refer to the paragraphs headed “Investment properties” in this section, “Investment activities” under the section headed “Business” and the valuation reports set out in Appendix III and IV to this document for further information. During the Track Record Period, we did not dispose of any Properties and no realised increase or decrease in fair value was recorded.

Impairment loss on available-for-sale investments

Our Group recorded nil and approximately HK\$4.7 million of impairment loss on available-for-sale investments during the years ended 31 March 2015 and 2016 respectively. As disclosed in the paragraph headed “Other income” in this section, such impairment loss related to the significant fall in unit price of Saizen REIT following the distribution of a special dividend which represented a substantial return of its capital. Please refer to the paragraph headed “Japan Residential Assets Manager Limited” under the section headed “History, Reorganisation and corporate structure” of this document for details.

Property expenses

	For the year ended			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Repair and maintenance expenses	1,653	25.1%	1,565	22.4%
Property management fee	740	11.2%	809	11.5%
Asset management fee	148	2.2%	168	2.4%
Property tax	1,245	18.8%	1,391	19.9%
Utilities charges	1,251	18.9%	1,207	17.3%
Marketing	463	7.0%	536	7.7%
Consumption tax	249	3.8%	336	4.8%
Insurance	228	3.4%	227	3.2%
Miscellaneous (e.g. security and waste disposal services)	636	9.6%	755	10.8%
Total	6,613	100.0%	6,994	100.0%

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Our property expenses mainly included the repair and maintenance expenses related to our Properties in Japan, property and consumption tax, utilities charges and the management fees paid to property managers engaged to manage the day-to-day operations of our Properties in Japan. For the years ended 31 March 2015 and 2016, we recorded property expenses of approximately HK\$6.6 million and HK\$7.0 million respectively. The increase is in line with the expansion of our property investment portfolio with regards to the acquisition of two Properties in Tokyo in February and July 2015. In particular, repair and maintenance expenses represented the largest component at approximately 25.1% and 22.4% of our property expenses for the same periods respectively. As a percentage of our Group's revenue, the property expenses accounted for approximately 19.2% and 14.5% for the years ended 31 March 2015 and 2016 respectively. During the Track Record Period, property expenses mainly related to our Properties in Japan. The lower property expenses as a percentage to our Group's revenue for the year 31 March 2016 was principally attributable to the higher revenue growth rate of our corporate finance business of approximately 74.3% when compared to the preceding year, whilst there was no significant increase in property expenses during the same period.

Administrative and operating expenses

	For the year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Remuneration				
Directors	2,558	13.2%	6,042	21.8%
Staff	5,429	28.1%	7,266	26.2%
Licensed personnel	2,349	12.2%	3,274	11.8%
Subtotal	10,336	53.5%	16,582	59.8%
Depreciation	4,175	21.6%	1,664	6.0%
Legal, professional and compliance fees	938	4.9%	1,372	5.0%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	3,867	20.0%	4,483	16.2%
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Our administrative and operating expenses for the year ended 31 March 2016 amounted to approximately HK\$27.7 million representing an approximate 43.4% increase from approximately HK\$19.3 million recorded during the year ended 31 March 2015, primarily due to rise in remuneration in line with the development of our corporate finance segment and augmented by one-off [REDACTED] of approximately HK\$[REDACTED]. During the year ended 31 March 2016, administrative and operating expenses amounted to approximately 57.5% of total revenue, representing an increase from the approximately 56.1% recorded during the previous year.

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Given the nature of our business, remuneration to our Directors, staff and licensed personnel was our Group's largest expense during the Track Record Period, collectively accounting for approximately 53.5% and 59.8% of our Group's administrative and operating expenses for the years ended 31 March 2015 and 2016 respectively. Remuneration to Directors and staff represented salaries and allowances as well as contributions to defined contribution retirement benefits scheme paid and payable to our staff. When compared with the previous year, our Group recorded a rise in remuneration of approximately 60.4% during the year ended 31 March 2016. Such increase was generally in line with our growth in revenue, number of staff and reward to staff. Remuneration to licensed personnel represented remuneration in relation to the services provided by our executive Director, Ms. Leung, who during the Track Record Period was a Licensed Representative and subsequently Responsible Officer from July 2015. Ms. Leung entered into an employment contract with our Group effective from 1 January 2016. Prior to this, she was not an employee of our Group and was remunerated through a company. From 3 March 2016, Ms. Leung has been appointed as a Director and accordingly, her remuneration from her appointment date to 31 March 2016 had been captured under Directors rather than licensed personnel. Remuneration to our Directors also includes the share-based payment of approximately HK\$[REDACTED], namely the Call Options granted to Mr. Chang and Ms. Leung as a reward for long term contribution to the development of our Group and as an incentive scheme to prepare for the [REDACTED]. Please refer to the paragraph headed "Call Options" in this section for details.

Other significant expenses also included depreciation, which accounted for approximately 21.6% and 6.0% of administrative and operating expenses for the years ended 31 March 2015 and 2016 respectively. In particular, the majority of the depreciation during the Track Record Period related to the leasehold improvements and fixtures from our office relocation, which were initially recognised in the year ended 31 March 2013. There was a significant fall in depreciation of approximately 60.1% from the year ended 31 March 2015 to the year ended 31 March 2016 as the majority of the aforementioned leasehold improvement had been fully depreciated.

Share of results of associates

Share of results of associates amounted to approximately HK\$3.5 million and HK\$4.4 million for the years ended 31 March 2015 and 2016. During the Track Record Period, associates that are material to our Group and contributed to our financial results include Nicewell Enterprises Limited and its subsidiary (being Yugen Kaisha Fugen), and JSSI. Further details are set forth in note 20 of the Accountants' Report in Appendix I to this document.

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Finance costs

	For the year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Interest arising from borrowings in				
Hong Kong	1,238	50.0%	1,595	48.1%
Interest arising from borrowings in				
Japan	1,090	44.0%	1,581	47.7%
Guarantee fee	150	6.0%	141	4.2%
	<u>2,478</u>	<u>100.0%</u>	<u>3,317</u>	<u>100.0%</u>

Finance costs incurred during the Track Record Period mainly included interest paid to (i) financial institutions in relation to the bank borrowings obtained by our Group; and (ii) KHHHL in relation to a loan with principal of HK\$4.5 million which has been subsequently fully settled (as further elaborated in the paragraph headed “Indebtedness” in this section).

During the year ended 31 March 2015, finance costs amounted to approximately HK\$2.5 million. Finance costs increased by approximately 33.9% from approximately HK\$2.5 million to HK\$3.3 million for the years ended 31 March 2015 and 2016. The increase in finance costs was in line with the expansion of our portfolio of Properties in 2015, for which we obtained borrowings from financial institutions. Please refer to the paragraphs headed “Secured bank borrowings” and “Related party transactions” in this section for details relating to our Group’s guarantee arrangements.

Net profit (before income tax) and adjusted profit (before income tax) for the year

Our net profit (before income tax) was approximately HK\$19.7 million and HK\$22.1 million for the years ended 31 March 2015 and 2016 respectively. The approximately 12.3% increase in profit before tax from approximately HK\$19.7 million to HK\$22.1 million was partly offset by the one-off [REDACTED] of approximately HK\$[REDACTED] incurred during the year ended 31 March 2016.

To compare the profitability of our Group excluding the impact of [REDACTED] and change in fair value of investment properties, set out below is a table showing the calculation of the adjusted profit (before income tax) and the adjusted profit margin (before income tax) for the years ended 31 March 2015 and 2016 based on the combined statements of profit or loss extracted from the Accountants’ Report contained in Appendix I to this document for illustration purpose only.

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	For the year ended 31 March	
	2015 HK\$'000	2016 HK\$'000
Revenue	34,414	48,160
Profit before income tax	19,660	22,088
Profit before income tax (excluding change in fair value of investment properties)	13,494	22,391
Add: [REDACTED]	[REDACTED]	[REDACTED]
Adjusted profit for the year (before income tax) (Note)	13,494	25,998
Adjusted profit margin (before income tax) (Note)	39.2%	54.0%
Unadjusted profit margin (before income tax)	57.1%	45.9%

Note: The adjusted figures are for illustration purposes only and are not required under the HKFRSs.

Despite an increase of approximately 39.9% of total revenue, the profit margin (before income tax) decreased from approximately 57.1% for the year ended 31 March 2015 to approximately 45.9% for the year ended 31 March 2016. For illustration purpose, profit (before income tax) has been adjusted by excluding (i) changes in fair value of investment properties; and (ii) one-off [REDACTED] of approximately HK\$[REDACTED] incurred in the year ended 31 March 2016. The adjusted profit margin (before income tax) increased from approximately 39.2% for the year ended 31 March 2015 to approximately 54.0% for the year ended 31 March 2016. Such increase was mainly attributable to the increase in other income recorded by our Group for the year ended 31 March 2016 due to the receipt of a special dividend from Saizen REIT following the disposal of its portfolio as well as the gain on disposal of available-for-sale investments; offset by the corresponding impairment loss of available-for-sale investments due to the decrease in Saizen REIT's unit price following the distribution of the special dividend. Further adjusting the above one-off factors, the net profit margin would have recorded an increase from approximately 37.3% for the year ended 31 March 2015 to approximately 47.0% for the year ended 31 March 2016. Such increase was mainly attributable to the smaller increment of our Group's property expenses and finance cost for the year ended 31 March 2016 compared to the revenue growth of that year, which was offset partially by the larger increment of administrative and operating expenses mainly due to the increase in remuneration of our Directors, staff and licensed personnel.

LIQUIDITY AND FINANCIAL RESOURCES

During the Track Record Period, our working capital and other capital requirements were principally satisfied by cash generated from our operations and financing activities.

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The following table summarises our cash and cash equivalents movements for the years indicated:

	For the year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at the beginning of the year	25,492	31,282
Net cash generated from operating activities	15,157	19,541
Net cash used in investing activities	(104,962)	(8,728)
Net cash generated from financing activities	97,969	10,019
Net increase in cash and cash equivalents	8,164	20,832
Cash and cash equivalents at the end of the year	31,282	53,813

Cash flow from operating activities

Cash flow from operating activities reflects profit for the year adjusted for non-cash items such as depreciation, changes in fair value of derivative financial instruments, share of results of associates, net changes in fair value of investment properties and the effects of cash flows arising from increases or decreases in trade receivables, other payables and reversal of impairment allowances on trade receivables.

Operating activities recorded a net inflow of approximately HK\$15.2 million and HK\$19.5 million for the years ended 31 March 2015 and 2016 respectively. The net cash inflow generated from operating activities during the Track Record Period stemmed from fee income generated by our corporate finance activities in Hong Kong and the rental income derived from our Properties in Japan and Hong Kong.

For the year ended 31 March 2015, net cash generated from operating activities of approximately HK\$15.2 million was primarily due to (i) profit before taxation of approximately HK\$19.6 million; (ii) adjusted by non-cash items being mainly depreciation of property, plant and equipment in about HK\$4.2 million and net increase in fair value of investment properties in about HK\$6.2 million; and (iii) an increase in trade and other payables of approximately HK\$1.1 million. This was partially offset by the increase in trade and other receivables of approximately HK\$0.2 million during the same period.

For the year ended 31 March 2016, net cash generated from operating activities of approximately HK\$19.5 million was primarily due to profit before taxation of approximately HK\$22.1 million and was partially offset by an increase in trade and other receivables of approximately HK\$1.7 million and increase in trade and other payables of approximately HK\$1.8 million.

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Cash flow from investing activities

Cash flow from investing activities includes acquisition of investment properties and available-for-sale investments, purchase of property, plant and equipment, advance to and repayment from a director and dividend received from associates as well as available-for-sale investments.

Investing activities incurred a net outflow of approximately HK\$105.0 million and HK\$8.7 million for the years ended 31 March 2015 and 2016 respectively. The net cash outflow from investment activities during the year ended 31 March 2015 was mainly related to the purchase of investment Properties as our Group acquired Wealth Fujisaki located in Fukuoka, Japan and Azabu Sendaizaka Hills located in Tokyo, Japan during the year ended 31 March 2015. In particular, Azabu Sendaizaka Hills was acquired at the price of approximately JPY1.3 billion (equivalent to approximately HK\$84.2 million). For the year ended 31 March 2016, the net cash outflow for investing activities was related to the acquisition of our second Property in Tokyo, namely Crown Building.

Cash flow from financing activities

Cash flow from financing activities primarily consists of drawdown of new bank borrowings, repayment of bank borrowings and capital injection by our ultimate holding company.

Net cash generated from financing activities for the year ended 31 March 2015 amounted to approximately HK\$98.0 million. This was primarily due to the new borrowings obtained from financial institutions in the amount of approximately HK\$62.6 million as well as funding from our Controlling Shareholders in the amount of approximately HK\$63.6 million in relation to the acquisition of Azabu Sendaizaka Hills in Tokyo at approximately JPY1.3 billion (equivalent to approximately HK\$84.2 million) in early 2015 and the repayment of borrowings in the amount of approximately HK\$22.5 million. For the year ended 31 March 2016, our Group recorded net cash inflow from financing activities of approximately HK\$10.0 million, primarily due to new borrowings raised.

Working capital

Our Directors are of the opinion, and the Joint Sponsors concur, that taking into consideration the financial resources presently available to our Group, including bank loans and other internal resources, the estimated [REDACTED] from the [REDACTED] and the reasons set out in the paragraph headed "Net current liabilities" in this section, the working capital available to our Group is sufficient for our present requirements, that is, for at least the next 12 months from the date of this document.

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Capital commitments

As at 31 July 2016, our Group did not have any significant capital commitments.

Financial resources

During the Track Record Period and up to the Latest Practicable Date, our operations were primarily financed by cash generated from business operations, capital injection from shareholders, shareholder’s loans, borrowings from five banks and/or financial institutions. As at 31 July 2016, our Group had cash and bank balances of approximately HK\$61.1 million. We intend to finance our future operations, capital expenditure and other capital requirements with the cash generated from business operations, cash and bank balances available, bank borrowings and the [REDACTED] from the [REDACTED].

With regards to our property investment activities, our Group monitors the matching of the currencies of our debt with (i) the collateral assets; and (ii) the debt servicing income derived from our business activities. As at 31 July 2016, the loan-to-value ratio of our investment portfolio in Hong Kong was approximately 51.0%. As at 31 July 2016, the loan-to-value ratio of our investment portfolio in Japan was approximately 24.1%. Our Directors are of the view that our revenue derived from Hong Kong and Japan is sufficient to cover the HK\$ and JPY liabilities arising from the maintenance of our investment portfolio. Details of our Directors’ view on the sufficiency of financial resources of our Group are set forth in the paragraph headed “Net current liabilities” in this section.

COMBINED STATEMENTS OF FINANCIAL POSITION

Non-current assets

The following table sets out the non-current assets from the combined statements of financial position.

	As at 31 March	
	2015	2016
	HK\$’000	HK\$’000
Non-current assets		
Property, plant and equipment	47,072	45,531
Investment properties	316,219	351,721
Interests in associates	25,981	29,090
Available-for-sale investments	11,367	1,335
	<u>400,639</u>	<u>427,677</u>

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Property, plant and equipment

Non-current assets consisted mainly of investment properties (our Properties in Japan and Hong Kong), property, plant and equipment (including the self-occupied property in Hong Kong), interests in associates and available-for-sale investments, which amounted to approximately HK\$400.6 million and HK\$427.7 million as at 31 March 2015 and 2016 respectively. As at 31 March 2015 and 2016, our current office premises in Hong Kong accounted for most of property, plant and equipment with the remaining being leasehold improvement incurred during our office relocation in early 2013 as well as furniture, fixtures and equipment used in our daily operations.

Property valuation

The table below shows the reconciliation of the net book value of our property (being our current office premises in Hong Kong) carried at cost in the audited combined financial statements of our Group as at 31 March 2016 with the valuation of such property as at 31 July 2016 as set out in the valuation report in Appendix III to this document.

	<i>HK\$'000</i>
Net book value of our property as at 31 March 2016	45,244
Movement for the four months ended 31 July 2016	–
Less: Depreciation during the period	(328)
	<hr/>
Net book value as at 31 July 2016	44,916
Net revaluation surplus	17,084
	<hr/>
Valuation as at 31 July 2016 as set out in the valuation report in Appendix III to this document	62,000
	<hr/> <hr/>

Investment properties

Our Properties held under our investment portfolio are all recognised as investment properties, which recorded a value of approximately HK\$316.2 million and HK\$351.7 million as at 31 March 2015 and 31 March 2016 respectively. The increase was mainly attributable to the acquisition of the Property Crown Building which was partly offset by a decrease in fair value of approximately HK\$0.3 million during the year ended 31 March 2016 in relation to our Property located in Hong Kong. Please refer to the paragraph headed "Investment activities" under the section headed "Business" of this document and the valuation reports set out in Appendix III and IV to this document for details relating to our Properties.

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Property valuation

The table below sets out the reconciliation of the net book value of our Properties in our audited consolidated financial statements as at 31 March 2016 with the valuations of our Properties as at 31 July 2016 as set out in the valuation reports in Appendices III and IV to this document:

	<i>HK\$'000</i>
Fair value of our investment properties as at 31 March 2016	351,721
Fair value gain of our investment properties from 31 March 2016 to 31 July 2016	<u>31,559</u>
Valuation as at 31 July 2016 per the valuation reports set out in Appendices III and IV to this document	<u><u>383,280</u></u>

Available-for-sale investments

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments (stated as fair value):		
– equity securities listed in Hong Kong	784	–
– equity securities listed in Singapore	<u>8,792</u>	<u>650</u>
	9,576	650
Unlisted investments (stated at cost):		
– equity securities	1,291	–
– debentures	<u>685</u>	<u>685</u>
	1,976	685
Exchange realignment	<u>(185)</u>	<u>–</u>
Total	<u><u>11,367</u></u>	<u><u>1,335</u></u>

As illustrated in the table above, as at 31 March 2015 and 2016, available-for-sale investments mainly included equity securities listed in Hong Kong and Singapore. The approximately 93.2% fall in value of our listed available-for-sale investments from 31 March 2015 to 31 March 2016 was due to (i) the disposal of all of our equity securities listed in Hong Kong; and (ii) the significant decrease in value of our equity securities listed in Singapore, being units of Saizen REIT, following its return of capital in the form of special dividend. Please refer to the paragraph headed "Other income" in this section for details. Meanwhile, following the disposal of our interests in the equity securities of Profit Gain (please refer to the

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paragraph headed "Reorganisation" under the section headed "History, Reorganisation and corporate structure" of this document for details) during the year ended 31 March 2016, the value of our unlisted available-for-sale investments also decreased.

Net current liabilities

	As at 31 March		As at 31 July
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
			(unaudited)
Current assets			
Trade and other receivables	2,826	12,208	2,580
Amount due from a director	3,323	2,098	–
Amount due from associates (<i>Note 1</i>)	1,721	1,229	1,368
Amount due from non-controlling interests	2,774	–	–
Deposits placed in financial institution	1,648	151	272
Bank balances and cash	29,634	53,662	61,115
	<u>41,926</u>	<u>69,348</u>	<u>65,335</u>
Current liabilities			
Trade and other payables	6,551	8,530	7,462
Amount due to ultimate holding company (<i>Note 2</i>)	13,413	31,484	27,005
Amount due to a director	195	121	–
Amounts due to associates (<i>Note 3</i>)	37	37	37
Tax payable	1,734	4,323	5,158
Secured bank borrowings			
<i>Carrying amount that are not repayable within one year but contain a repayment on demand clause</i>	22,635	21,566	21,204
<i>Carrying amount repayable within 1 year</i>	<u>27,329</u>	<u>45,128</u>	<u>45,669</u>
Subtotal	<u>49,964</u>	<u>66,694</u>	<u>66,873</u>
	<u>71,894</u>	<u>111,189</u>	<u>106,535</u>
Net current liabilities	<u>(29,968)</u>	<u>(41,841)</u>	<u>(41,200)</u>

Notes:

- (1) This amount represents a shareholders loan provided to KK Tenyu AM.
- (2) This amount shall be capitalised as part of the Reorganisation.
- (3) This amount predominantly represents the share subscription cost owed by our Group to JRAM Cayman. This is intended to be settled prior to [REDACTED].

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Net current liabilities

As at 31 March 2015 and 31 March 2016, our Group recorded net current liabilities of approximately HK\$30.0 million and HK\$41.8 million respectively. As at 31 March 2015, our net current liabilities position comprised (i) approximately HK\$71.9 million of current liabilities, of which approximately HK\$50.0 million were secured bank borrowings (out of such borrowings, approximately HK\$22.6 million (45.3%) represented bank loans due after one year which contained repayment on demand clauses) and an amount of HK\$13.4 million due to KHHL; and (ii) approximately HK\$41.9 million current assets, of which approximately 70.7% was bank balances and cash.

As at 31 March 2016, our net current liabilities position mainly comprised (i) approximately HK\$111.2 million of current liabilities, of which approximately HK\$66.7 million were secured bank borrowings (out of such borrowings, approximately HK\$21.6 million (32.3%) represented bank loans due after one year which contained repayment on demand clauses) and an amount of HK\$31.5 million due to KHHL; and (ii) approximately HK\$69.3 million current assets, of which approximately 77.4% was bank balances and cash. In particular, the increase in secured bank borrowings from approximately HK\$50.0 million as at 31 March 2015 to approximately HK\$66.7 million as at 31 March 2016 was primarily due to the new borrowings raised for the acquisition of Crown Building during the year ended 31 March 2016.

As at 31 July 2016, our net current liabilities position mainly comprised (i) approximately HK\$106.5 million of current liabilities, of which approximately HK\$66.9 million were secured bank borrowings (out of such borrowings, approximately HK\$21.2 million (31.7%) represented bank loans due after one year which contained repayment on demand clause) and HK\$27.0 million were amount due to KHHL; and (ii) approximately HK\$65.3 million of current assets, of which approximately 93.5% was bank balances and cash. As at the Latest Practicable Date, all outstanding balances relating to the amount due from a director has been fully settled.

A dividend of approximately HK\$35.0 million has been declared with respect to the year ended 31 March 2016, which will be paid prior to the [REDACTED]. As such, the declaration and payment of the abovementioned dividend will lower our Group's cash balance with a reducing effect on our Group's net asset value. The settlement of the dividend is not expected to affect the ability of Altus Investments and Altus Capital to comply with the financial resources requirements specified by the FRR.

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Reasons for our net current liabilities position during the Track Record Period

Our Directors considered that our net current liabilities position recorded during the Track Record Period was mainly attributable to the following reasons:

(i) *Loans repayable after more than one year with repayment on demand clauses*

Our secured bank borrowings under current liabilities of approximately HK\$66.7 million as at 31 March 2016 included two instalment loans obtained from two commercial banks in Hong Kong of approximately HK\$21.6 million in aggregate. Despite the fact that these bank borrowings are secured by pledged assets and will mature in the years 2032 and 2034 respectively, each of them is subject to the lending bank's right of repayment on demand. These borrowings were classified as current liabilities in our combined financial information in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements. Considering the sufficiency of the collaterals pledged in favour of the banks to secure such loans, our Directors considered it improbable that the banks will exercise their right to demand immediate repayment. Details of the maturity profile of our borrowings, including our bank loans and finance leases, are set out under the paragraph headed "Indebtedness" in this section. During the Track Record Period, none of our borrowings had been recalled by our banks before their respective maturity dates.

(ii) *Amount due to our ultimate holding company*

As at 31 March 2016, amount due to our ultimate holding company, being KHHL, amounted to approximately HK\$31.5 million. Out of the amount outstanding as at 31 March 2016, approximately HK\$4.5 million has been subsequently fully settled by cash in July 2016 and the remaining outstanding balance will be fully settled by way of capitalisation prior to the [REDACTED].

Adjusting for the abovementioned bank loan of approximately HK\$22.6 million, HK\$21.6 million and HK\$21.2 million as at 31 March 2015, 31 March 2016 and 31 July 2016 respectively and the amount due to KHHL of approximately HK\$13.4 million, HK\$31.5 million and HK\$27.0 million settled/capitalised as at the respective period end, our Group would have recorded a net current asset of approximately HK\$1.6 million, HK\$6.7 million and HK\$7.0 million as at 31 March 2015, 31 March 2016 and 31 July 2016 respectively.

Our Directors' view

Going forward, our Directors consider that we have sufficient financial resources to address our net current liabilities position based on the following:

- (i) outstanding current portion of secured bank borrowings (being the major component of net current liabilities) of approximately HK\$45.7 million (without taking into account the portion that are not repayable within one year but contain a repayment on demand clause of approximately HK\$21.2 million) as at 31 July 2016 is sufficiently covered by our bank balances and cash of approximately HK\$61.1 million on hand as at 31 July 2016;

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- (ii) our Group had recorded stable cash inflow from our operating activities of approximately HK\$15.2 million and HK\$19.5 million for the years ended 31 March 2015 and 2016 respectively;
- (iii) estimated total market value of our pledged Properties in Hong Kong amounted to HK\$58.0 million with a loan-to-value ratio of approximately 51.3% as at 31 March 2016;
- (iv) estimated total market value of our pledged Properties in Japan amounted to approximately HK\$275.0 million with a loan-to-value ratio of approximately 24.7% as at 31 March 2016; and
- (v) as at 31 July 2016, our Group had undrawn revolving facilities of approximately HK\$12.1 million.

In the meantime, our Group will continue to monitor our liquidity position closely and will adopt a conservative approach on further investments. During the Track Record Period and up to Latest Practicable Date, we had not encountered any material difficulties in obtaining loan facilities upon their respective expiry, nor received any notice or demand from our lenders for early repayment of outstanding loans. We intend to continue to maintain stable relationships with our principal banks.

Trade and other receivables

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	995	2,760
Less: allowances for impairment of trade receivables	(178)	(21)
	<hr/>	<hr/>
	817	2,739
Other receivables	2,009	9,469
	<hr/>	<hr/>
	2,826	12,208
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2015 and 2016, trade receivables amounted to approximately HK\$0.8 million and HK\$2.7 million respectively, which were mainly related to corporate finance activities with a small portion being rent receivables relating to our Properties. The increase in our Group's trade receivables as at 31 March 2016 of approximately 177.4% compared to our Group's trade receivables as at 31 March 2015 was mainly attributable to the rise in trade receivables from a sponsorship client as at 31 March 2016 resulting from two of the payment milestones for the relevant project falling in mid to late March 2016. As aforementioned, for sponsorship work, our Group generally charges upon the achievement of significant acts. The

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significant outstanding amount from the sponsorship client as at 31 March 2016 was due to achievement of significant acts in middle to late March 2016. The amount has subsequently been fully settled. For corporate finance activities, invoices issued to clients are due upon presentation, whilst rent from tenants are payable on a monthly basis. The balance of other receivables as at 31 March 2015 and 31 March 2016 mainly represented other sundry debtors, deposits and prepayments. Other receivables of our Group increased to approximately HK\$9.5 million for the year ended 31 March 2016. Such increase was mainly attributable to the dividend receivable from Saizen REIT which was subsequently fully received by 4 May 2016. The aging analysis of the trade receivables is set out as follows:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	725	2,736
Over 30 but within 60 days	92	3
Over 60 days	—	—
	<u>817</u>	<u>2,739</u>

As at 31 March 2015 and 31 March 2016, all past due balances were within 60 days of having fallen due. All of the balance as at 31 March 2015 and 2016 had been subsequently settled by the Latest Practicable Date.

Impairment allowances

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the year	65	178
Impairment losses reversed	(5)	(158)
Impairment loss recognised	127	—
Exchange realignment	(9)	1
	<u>178</u>	<u>21</u>

As illustrated in the above table, our Group recognised an impairment loss of approximately HK\$127,000 during the year ended 31 March 2015. Such balance represented the financial advisory service fees due from a group listed on the Stock Exchange for services provided in 2013. During the year ended 31 March 2015, although the said client remained to be listed, our executive management decided provision was necessary having taken into consideration that the amount remained long outstanding despite repeated efforts to recover

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such balance. Such balance had been fully written-off during the year ended 31 March 2016. Other than the aforementioned, our Group had not recorded any material bad debt during the Track Record Period and up to the Latest Practicable Date.

Trade and other payables

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Trade payables	75	93
Other payables	6,590	8,510
	<u>6,665</u>	<u>8,603</u>

The trade payables were primarily related to fees payable to the property managers and asset managers of our Properties in Japan. The other payables predominantly consisted of rental deposits, advanced rental payments, sundry creditors and accrued expenses. As at 31 March 2015, the trade and other payables amounted to approximately HK\$6.7 million and as at 31 March 2016 the trade and other payables remained stable amounting to approximately HK\$8.6 million, representing an increase of approximately 29.1%. Our Group's trade payables as at 31 March 2015 and 2016 amounting to approximately HK\$75,000 and HK\$93,000 were subsequently fully settled. Our Group's other payables increased from approximately HK\$6.6 million as at 31 March 2015 to approximately HK\$8.5 million as at 31 March 2016, representing an increase of approximately 29.1%. The increase was mainly due to a rise in the balance of rental deposit as at 31 March 2016 compared to the preceding year. Such increase is in line with the expansion of our investment portfolio during the year ended 31 March 2016 and the improvement in occupancy rate for Azabu Sendaizaka Hills during the year ended 31 March 2016.

Non-current liabilities

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Non-current liabilities		
Secured bank borrowings	57,697	62,270
Derivative financial instruments	695	887
Other payables – Tenant deposits – over 1 year	114	73
Provision for long service payment	168	168
Deferred tax liabilities	10,060	11,871
	<u>68,734</u>	<u>75,269</u>

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Secured bank borrowings

As at 31 March 2015 and 2016, secured bank borrowings made up most of our non-current liabilities. Such borrowings represented bank borrowings obtained from three financial institutions in Japan for the acquisitions of our Properties in Japan. Please refer to the paragraph headed "Indebtedness" in this section for further details.

Derivative financial instruments

As at 31 March 2015 and 2016, derivative financial instruments of approximately HK\$0.7 million and HK\$0.9 million represented three interest rate swaps entered into between our Group and a bank in Japan from which our Group had obtained mortgage loans. The interest rate swaps are part of the loan agreements entered with the bank and serve the purpose of fixing the interest rate of our loans to manage our exposure to fluctuations in interest rate. Each of the interest rate swaps will mature on the same day as maturity of the relevant borrowings (please refer to the section headed "Indebtedness" in this section for details). Major terms of the interest rate swaps are set out in note 28 in section A of the Accountants' Report set out in Appendix I to this document. It should be noted that such derivative financial instruments were entered into as a means to effectively fix the interest rate of our loans in accordance with our interest rate risk management policy as elaborated in the paragraph headed "Interest rate management policy" under the section headed "Business" of this document. The banks offered such fixed interest rate swaps in response to our request to fix the interest rate of our loans.

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. Future declaration of dividends will be subject to our Directors' discretion and will depend on, amongst other things, our earnings, financial conditions, cash requirements and availability, and any other factors our Directors may consider relevant. Currently, our Group does not have any dividend policy and predetermined dividend distribution ratio.

A dividend of HK\$35.0 million has been declared by our Company with respect to the year ended 31 March 2016. Such dividend will be paid prior to [REDACTED]. Although such dividend will lower our Group's cash balance and result in a corresponding reduction in our Group's net asset value, the settlement of the dividend is not expected to affect the ability of Altus Capital and Altus Investments to comply with the financial resources requirements as specified by the FRR and is not expected to have any material impact on our business operations or financial position.

Our Directors consider the dividend to be an investment return to the then Shareholders during the Track Record Period and should not be regarded as an indication of the future dividend policy to be adopted by our Group following the [REDACTED]. Currently, we do not have any predetermined dividend distribution ratio. Prospective investors should note that the historical dividend trends may not be indicative of future dividend trends.

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IMPACT OF [REDACTED]

The [REDACTED] represent the fees and costs incurred for the issue of the [REDACTED] and the [REDACTED] on GEM. As the issue of the [REDACTED] is the issue of an equity instrument, but the [REDACTED] of existing and the [REDACTED] is not, the [REDACTED] are required to be allocated between the two transactions with reference to the proportion of the number of the [REDACTED] to be issued to the total number of Shares in issue upon [REDACTED].

Since the number of the [REDACTED] to be issued represents [REDACTED]% of the total number of Shares in issue upon [REDACTED], [REDACTED] that are directly attributable to the issue of the [REDACTED] are accounted for as a deduction from equity, whilst expenses that are not clearly separable are allocated to equity and profit or loss on a ratio of [REDACTED]. Our Directors are of the view that the [REDACTED] in relation to the [REDACTED] would have an impact on the financial results of our Group for the year ending 31 March 2017. The estimated [REDACTED] for our Group are approximately HK\$[REDACTED] (excluding fees of approximately HK\$[REDACTED] paid and payable to Altus Capital as one of the Joint Sponsors), of which approximately HK\$[REDACTED] is directly attributable to the issue of the [REDACTED] under the [REDACTED] and is expected to be accounted for as a deduction from equity.

During the years ended 31 March 2015 and 2016, our Group had recognised [REDACTED] of approximately nil and HK\$[REDACTED] respectively, in the combined statement of profit or loss. The remaining [REDACTED] of approximately HK\$[REDACTED] are expected to be charged to the combined statement of profit or loss of our Group for the year ending 31 March 2017.

Our Directors would like to emphasise that the [REDACTED] abovementioned amount of expenses in relation to the [REDACTED] is a current estimate for reference only and the final amount to be recognised as equity and in the statement of profit or loss of our Group for the year ending 31 March 2017 are subject to adjustment due to changes in estimates and assumptions.

CALL OPTIONS

As a reward for the long term contribution of Mr. Chang and Ms. Leung to the development of our Group and as an incentive scheme to prepare for the [REDACTED], on 4 March 2016, KHHL, as grantor, entered into the Option Deeds with each of Mr. Chang and Ms. Leung respectively, as grantees. Pursuant to the Option Deeds, in consideration of HK\$[REDACTED] paid by each Grantee, KHHL granted to the Grantees the Call Options on the date of the Option Deeds. During the year ended 31 March 2016, we recognised share-based payments of approximately HK\$[REDACTED].

The estimated fair value of the Call Options will be charged to our combined statement of profit and loss for each of the years ending 31 March 2017, 2018, 2019 and 2020 in the approximate amount of HK\$[REDACTED], HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] respectively. Please refer to the paragraph headed "Grant of Call Options by KHHL to Mr. Chang and Ms. Leung" under the section headed "Directors, senior management and employees" of this document for more details of the Call Options.

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RELATED PARTY TRANSACTIONS

The following table sets out our transactions with related parties during the Track Record Period.

Related party	Relationship	Nature of transactions	For the year ended 31 March	
			2015 HK\$'000	2016 HK\$'000
KK Tenyu AM	Associate	Introductory fee income received (included in revenue)	609	–
		Marketing service income received (included in other income)	262	230
		Consultancy fee paid	(979)	–
		[REDACTED] related matters fee paid	–	(175)
		Asset management fee paid	(148)	(168)
		Guarantee fee paid	(150)	(141)
JRAM SG	Associate	Administrative fee income received (included in other income)	2,902	2,991
JSSI	Associate	Accountancy fee income (included in other income)	24	24
KHHL	Ultimate holding company	Interest paid	(85)	(91)

Transactions with KK Tenyu AM

During the Track Record Period, we had derived income from our associate KK Tenyu AM in the form of introductory fee and marketing services. The former was related to referral of potential customers to KK Tenyu AM whereby we were entitled to an introductory fee on a success basis. The marketing service income was related to our marketing activities incidental to such referrals. Such marketing services will cease from July 2016.

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As mentioned in the section headed “Business” of this document, our Group had engaged KK Tenyu AM during the Track Record Period to, amongst other things, monitor and report on the performance of the external service providers of the TK Operators. For such services, we paid an asset management fee, which amounted to approximately HK\$0.1 million and HK\$0.2 million for the years ended 31 March 2015 and 2016 respectively. Consultancy fee paid during the year ended 31 March 2015 was related to services provided by KK Tenyu AM (such as coordinating with Japanese agents) during the acquisition of Azabu Sendaizaka Hills in early 2015.

The guarantee fee paid was related to KK Tenyu AM acting as our guarantor for three of our secured bank borrowings in Japan in its capacity as asset manager for our pledged Properties. As at 31 July 2016, the outstanding amount of secured bank borrowings guaranteed by KK Tenyu AM amounted to approximately JPY429.1 million (equivalent to approximately HK\$32.6 million). We expect that these guarantees will continue to be in place until the maturity of the loans. The guarantees provided by KK Tenyu AM are part of the loan arrangement with the banks and, based on the current loan schedules, it is expected that such loans shall be entirely repaid upon maturity.

[REDACTED] related fees paid to KK Tenyu AM relate to fees paid by our Group to KK Tenyu AM on a cost recovery basis based on time-cost relating to the various forms of assistance which have been required from our asset manager in relation to the preparation of our [REDACTED] application. Our Directors confirm that the above transactions entered into with KK Tenyu AM during the Track Record Period were conducted on normal commercial terms and, save for the [REDACTED] related fees, transactions entered into with KK Tenyu AM were conducted in the ordinary and usual course of business of our Group.

Transactions with JRAM SG and JSSI

Administrative fee income from JRAM SG is derived from the provision of administrative services, which is calculated on a cost recovery basis taking into account time costs, incurred by our staff and related expenses incurred for rendering such services.

Accounting fee income from JSSI is derived from the provision of services for preparing financial statements and liaising with the accountant in Japan for tax payment on a cost recovery basis.

Transactions with KHHL

Please refer to the paragraph headed “Indebtedness” in this section for further information on loans from KHHL. Our Directors confirm that the interest paid to KHHL was paid on normal commercial terms and in the ordinary and usual course of business of our Group.

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KEY FINANCIAL RATIOS

	For the year ended 31 March	
	2015	2016
Net profit margin	46.4%	36.7%
Return on equity	5.3%	5.7%
Return on total assets	3.6%	3.6%
Current ratio	0.6 times	0.6 times
Quick ratio	0.6 times	0.6 times
Debtors' turnover days	8.7 days	20.8 days
Creditors' turnover days	0.8 days	0.7 days
Gearing ratio	40.2%	51.7%
Debt to equity ratio	30.4%	34.4%
Interest coverage	8.9 times	7.7 times

Net profit margin

Net profit margin is calculated by dividing profit by total revenue for the respective years. Net profit margin amounted to approximately 46.4% and 36.7% for the years ended 31 March 2015 and 2016. The decrease in net profit margin for the year ended 31 March 2016 from the preceding year is primarily due to (i) our Group recognising a net increase in fair value of investment properties of approximately HK\$6.2 million for the year ended 31 March 2015 whilst a net decrease in fair value of approximately HK\$0.3 million was recorded for the year ended 31 March 2016; and (ii) the one-off [REDACTED] of approximately HK\$[REDACTED] incurred during the year ended 31 March 2016. This was offset by the net positive effects of the special dividend from Saizen REIT, the gain on disposal of available-for-sale investments and the impairment loss of available-for-sale investments. Please refer to the paragraph headed "Net profit (before income tax) and adjusted profit (before income tax) for the year" in this section for further analysis.

Return on equity

Return on equity is calculated by dividing net profit for the year by total equity at the end of the respective year. The return on equity for our Group remained steady during the Track Record Period, amounting to approximately 5.3% and 5.7% for the years ended 31 March 2015 and 2016 respectively. The increase is in line with the growth in net profit due to the aforementioned reasons.

Return on total assets

Return on total assets is calculated by dividing net profit for the year by total assets at the end of the respective year. For the years ended 31 March 2015 and 2016, return on total assets remained stable at approximately 3.6% for both years.

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Current ratio

Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year. From 31 March 2015 to 31 March 2016, the current ratio remained steady at approximately 0.6 times representing a net current liabilities position. Please refer to the paragraph headed "Net current liabilities" in this section for further analysis.

Quick ratio

Quick ratio is calculated by dividing current assets minus inventory by current liabilities as at the end of the respective year. The quick ratio is the same as the current ratio for our Group since we do not maintain any inventory. Please refer to the analysis set out in the above paragraph headed "Current ratio" in this section.

Debtors' turnover days

Debtors' turnover days is calculated based on the ending balance of trade receivables of a given year divided by revenue for the given year and multiplied by the number of days in the given year. For the year ended 31 March 2015, our Group recorded debtor's turnover days of approximately 8.7 days, which increased to approximately 20.8 days for the year ended 31 March 2016. The increase is in line with the rise in trade receivables from a sponsorship client as at 31 March 2016 resulting from two of the payment milestones for the relevant project falling in mid to late March 2016. The amount had subsequently been fully settled.

Creditors' turnover days

Creditors' turnover days is calculated based on the ending balance of trade payables of a given year divided by revenue for the given year and multiplied by the number of days in the given year. For the year ended 31 March 2015, our Group recorded creditors' turnover days of approximately 0.8 days, which remained steady at approximately 0.7 days for the year ended 31 March 2016. The relatively low creditors' turnover days was mainly attributable to the fact that it is our Group's policy to pay the property managers and asset managers based in Japan, which comprise the majority of our trade payables, promptly upon receiving their invoices.

Gearing ratio

Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective year. As at 31 March 2015 and 2016, our Group recorded a gearing ratio of approximately 40.2% and 51.7% respectively. The rise was in line with additional bank borrowings raised during the year ended 31 March 2016 for the acquisition of Crown Building. For illustration purposes, as the amount due to our ultimate holding company, which amounted to approximately HK\$13.4 million and HK\$31.5 million as at 31 March 2015 and 2016 respectively, is to be capitalised prior to [REDACTED], the adjusted gearing ratio of our Group as at 31 March 2015 and 2016 would have been approximately 35.7% and 41.6% respectively had that amount been excluded.

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Debt to equity ratio

Debt to equity ratio is calculated by dividing net debt (total debt less bank balances and cash) by total equity as at the end of the respective year. Our Group recorded a higher debt to equity ratio as at 31 March 2016 of approximately 34.4% compared to that recorded as at 31 March 2015 of approximately 30.4% due to additional borrowings obtained during the year ended 31 March 2016.

Interest coverage

Interest coverage is calculated by dividing profit before interest and tax by finance costs for the respective year. Interest coverage was approximately 8.9 times and 7.7 times for the years ended 31 March 2015 and 2016 respectively. The decrease in interest coverage for the year ended 31 March 2016 compared to the previous year was in line with our larger bank borrowings and lower profitability as analysed above.

INDEBTEDNESS

Borrowings

The following table sets out our borrowings as at the dates indicated:

	As at 31 March		As at
	2015	2016	31 July
	HK\$'000	HK\$'000	2016
			HK\$'000
Amount due to ultimate holding company	13,413	31,484	27,005
Amounts due to a director	195	121	–
Amounts due to associates	37	37	37
Secured bank borrowings	107,661	128,964	134,047
Total	121,306	160,606	161,089

Amount due to our ultimate holding company

As at 31 March 2015, 31 March 2016 and 31 July 2016, our Group had approximately HK\$13.4 million, HK\$31.5 million and HK\$27.0 million due to our ultimate holding company, being KHHL. Other than a loan of principal amount of HK\$4.5 million with an interest of HIBOR plus 1.75% per annum, the amount is unsecured, unguaranteed, non-interest bearing and repayable on demand. The aforementioned interest bearing HK\$4.5 million loan has been subsequently fully settled in July 2016 and the remaining outstanding balance will be fully settled by way of capitalisation prior to completion of the Reorganisation and [REDACTED].

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Amounts due to a director

As at 31 March 2015 and 31 March 2016, our Group had approximately HK\$195,000 and HK\$121,000 respectively due to one of our executive Directors, being Mr. Ip. Such amount is unsecured, interest-free and repayable on demand and had been fully settled and remained at nil as at 31 July 2016. Going forward, our Group does not expect to obtain loans from our Directors.

Secured bank borrowings

As at 31 July 2016, being the latest practicable date for the purpose of this indebtedness statement, our Group had secured borrowings of approximately HK\$134.0 million. Such borrowings are secured by a charge over our Properties as well as our office premises in Hong Kong. Certain details of the borrowings are set out below.

Type	Lender	Principal HK\$' mil	Outstanding amount as at 31 July 2016 HK\$' mil	Interest rate per annum	Security/guarantee provided	Maturity date
Instalment loan	Bank in Hong Kong	17.2	15.0	HIBOR + 3%	<ul style="list-style-type: none"> • Corporate guarantee by Altus Investments (<i>Note 1</i>) • Personal guarantees by Mr. Ip (<i>Note 1</i>) • First legal charge over and assignment of rental incomes generated from the Property in Hong Kong 	26 March 2032
Instalment loan	Bank in Hong Kong	8.0	7.3	Basic lending rate – 2.5%	<ul style="list-style-type: none"> • Corporate guarantee by Altus Investments (<i>Note 1</i>) • Personal guarantee by Mr. Ip (<i>Note 1</i>) • Legal charge over a personal property of Mr. Ip (<i>Note 1</i>) 	10 March 2034

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Type	Lender	Principal JPY' mil	Outstanding amount as at 31 July 2016 JPY' mil	Interest rate per annum	Security/guarantee provided	Maturity date
金銭消費貸借 (Loan)	Bank in Japan	105.0	86.6	2.79%	<ul style="list-style-type: none"> Properties in Japan held under YK Hourei Corporate guarantee provided by KK Tenyu (Note 2) 	30 September 2024
金銭消費貸借 (Loan)	Bank in Japan	200.0	185.0	2.42%	<ul style="list-style-type: none"> Properties in Japan held under YK Houten Corporate guarantee provided by KK Tenyu (Note 2) 	30 September 2025
金銭消費貸借 (Loan)	Bank in Japan	300.0	157.5	3.48%	<ul style="list-style-type: none"> Properties in Japan held under GK Bohol Corporate guarantee provided by KK Tenyu (Note 2) 	30 September 2021
金銭消費貸借 (Loan)	Bank in Japan	419.5	411.1	2.21%	<ul style="list-style-type: none"> Property in Japan held under GK Choun 	17 February 2025
金銭消費貸借 (Loan)	Financial institution in Japan	180.0	126.8	3.35%	<ul style="list-style-type: none"> Property in Japan held under GK Hayama Shouten 	25 August 2030

Notes:

1. The guarantee/charge will be released upon [REDACTED] and replaced by a corporate guarantee by the Company.
2. Please refer to the paragraph headed “Related party transactions” in this section for further details.

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As at 31 July 2016, being the latest practicable date for the purpose of this indebtedness statement, the outstanding amount of our Group’s revolving bank facilities amounted to HK\$38.9 million. These bank facilities have no maturity date and the banks may terminate them at any time at the bank’s sole discretion. The outstanding amount under the facilities are repayable on demand. Certain details of the revolving bank facilities are set out below.

Type	Lender	Facility limit HK\$' mil	Outstanding amount as at 31 July 2016 HK\$' mil	Interest rate per amount	Security/guarantee provided	Maturity date
Revolving bank facility	Bank in Hong Kong	13.0	6.9	HIBOR + 2.5%	<ul style="list-style-type: none"> • Corporate guarantee by Altus Investments (<i>Note</i>) • Personal guarantees by Mr. Ip (<i>Note</i>) • First legal charge over and assignment of rental incomes generated from the Property in Hong Kong 	N/A
Revolving bank facility	Bank in Hong Kong	38.0	32.0	HIBOR + 2.5%	<ul style="list-style-type: none"> • Corporate guarantee by Altus Investments (<i>Note</i>) • Personal guarantee by Mr. Ip (<i>Note</i>) • Legal charge over our current office premises in Hong Kong • Legal charge over a personal property of Mr. Ip (<i>Note</i>) 	N/A

Note: The guarantee/charge will be released upon [REDACTED] and replaced by a corporate guarantee by the Company

Other than the above, our Group did not have any outstanding borrowings or overdrafts as at 31 July 2016.

Security

Other than those disclosed in the paragraph headed “Borrowings” in this section, as at 31 July 2016, being the latest practicable date for the purpose of this statement of indebtedness, our Group did not have any mortgages or charges.

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Contingent liabilities

As at 31 July 2016, being the latest practicable date for the purpose of this statement of indebtedness, other than those disclosed in the paragraph headed “Borrowings” in this section, our Group did not have any guarantees or other material contingent liabilities.

Save as aforesaid and as otherwise mentioned in the paragraphs headed “Borrowings”, “Security” and “Contingent liabilities” above and apart from intra-group liabilities and normal trade payables, our Group did not have any mortgages, charges, debt securities, term loans, other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances or acceptances credits, hire purchase commitments, or any guarantees or other material contingent liabilities outstanding at the close of business on 31 July 2016.

Our Directors have confirmed that save for those developments as referred to in the paragraph headed “Property Investment” under the section headed “Summary” of this document, there have been no material changes in the indebtedness and contingent liabilities of our Group since 31 July 2016 and up to the date of this document. Our Directors have confirmed that as at the date of this document, we had no external financing plans and no material covenants relating to our overdraft facilities. In addition, our Directors have confirmed that there have been no material defaults in payment during the Track Record Period.

FINANCIAL RISKS

Foreign currency risk

During the Track Record Period, our Group is exposed to foreign currency risk as we undertook foreign currency transactions, primarily in JPY and SGD. As at the end of each year or during the Track Record Period, the carrying amounts of our Group’s foreign currency denominated monetary assets and liabilities are as follows:

	As at 31 March	
	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>
Assets		
JPY	3,735	11,525
SGD	319	7,874
Liabilities		
JPY	(3,240)	—
SGD	—	—

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Our Group's JPY monetary assets increased from approximately HK\$3.7 million as at 31 March 2015 to approximately HK\$11.5 million, which was mainly due to the dividend payment from our associate JRAM SG and the purchase of JPY to facilitate the potential acquisition of Japan real estate under assessment. As at the Latest Practicable Date, whilst our Group had shortlisted potential acquisition targets, no definitive terms have been determined. The increase in SGD monetary assets from approximately HK\$0.3 million as at 31 March 2015 to approximately HK\$7.9 million as at 31 March 2016 was mainly attributable to the special dividend received from Saizen REIT.

Sensitivity analysis on foreign currency risk

JPY

The following sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 20.0% change in foreign currency rate. The figure of 20.0% was selected based on the range of exchange rate fluctuations during the Track Record Period. A positive number below indicates an increase in post-tax profit where HK\$ weakens 20% against JPY. For a 20% strengthening of HK\$ against JPY, there would be an equal and opposite impact on the result for the year:

	As at 31 March	
	2015 HK\$'000	2016 HK\$'000
Increase/(decrease) in post-tax profit for the year	83	1,925

For illustration purposes, a sensitivity analysis on fluctuations of JPY against the HK\$ during the Track Record Period is set out as follows, which shows the effects on the segment revenue and profit of our property investment business when adopting the highest and lowest value of JPY against the HK\$ recorded during the respective financial years (holding other parameters constant):

For the year ended 31 March 2015

Exchange rate adopted	HK\$/JPY: 13.09 (highest)				HK\$/JPY: 16.09 (lowest)		
	HK\$/JPY: 14.10 (average)	Increase/ (decrease) in revenue/profit		change in %	Increase/ (decrease) in revenue/profit		change in %
Property investment	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Segment revenue	19,037	20,379	1,342	7.0%	16,893	(2,144)	(11.3)%
Segment profit	16,628	17,777	1,149	6.9%	14,794	(1,834)	(11.0)%

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For the year ended 31 March 2016

Exchange rate adopted	HK\$/JPY: 14.49 (highest)				HK\$/JPY: 16.09 (lowest)		
	HK\$/JPY: 15.48 (average) HK\$'000	HK\$'000	Increase/ (decrease) in revenue/profit HK\$'000	change in %	HK\$'000	Increase/ (decrease) in revenue/profit HK\$'000	change in %
Property investment							
Segment revenue	21,354	22,699	1,345	6.3%	20,606	(748)	(3.5)%
Segment profit	11,578	12,401	823	7.1%	11,120	(458)	(4.0)%

SGD

The following sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 10.0% change in foreign currency rate. The figure of 10.0% was based on the range of exchange rate fluctuations during the Track Record Period. A positive number below indicates an increase in post-tax profit where HK\$ weakens 10% against SGD. For a 10% strengthening of HK\$ against SGD, there would be an equal and opposite impact on the result for the year:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Increase/(decrease) in post-tax profit for the year	27	658

The geographic diversification offered by our business model means that our Group is exposed to fluctuations in foreign exchange, particularly the value of JPY to HK\$. To address this, we monitor the matching of the currencies of our debt with (i) the collateral assets; and (ii) the debt servicing income derived from our business activities. As at the Latest Practicable Date, loans to be serviced by rental income generated from and secured by our Properties in Japan were denominated in JPY; similarly, loans secured by our properties (for investment and self-occupation) in Hong Kong were serviced by income derived from Hong Kong and denominated in HK\$.

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, secured bank borrowings, derivative financial instruments and certain amount due to our ultimate holding company. As at 31 March 2015 and 31 March 2016, approximately HK\$45.2 million and HK\$61.5 million of our Group's secured bank borrowings were carried at variable rates respectively, representing approximately 42.0% and 47.7% of total secured bank borrowings respectively. Our Group's cash flow interest rate risk is mainly concentrated on the fluctuations of HIBOR arising from our Group's variable rate bank borrowings. As at 31 March 2015 and 31 March 2016, approximately HK\$4.5 million and HK\$4.5 million

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respectively of the Group's amount due to our ultimate holding company was carried at HIBOR plus 1.75% per annum. The amount due to our ultimate holding company of HK\$4.5 million has been subsequently fully settled.

Our Group is also exposed to fair value interest rate risk in relation to fixed-rate secured bank borrowings.

Sensitivity analysis on interest rate risk

The sensitivity analysis below is prepared based on the exposure to interest rate risk on bank borrowings and the interest rate swaps, assuming the bank borrowings and financial instrument outstanding at the end of each year during the Track Record Period were outstanding for the whole period. No sensitivity analysis is provided on bank balances as management of our Group considered that the interest rate fluctuation on bank balances is minimal.

As at 31 March 2015 and 31 March 2016, if the interest rate on variable bank borrowings had been 100 basis points higher with all other variables held constant, our Group's post-tax profit for the years ended 31 March 2015 and 2016 would be as follows:

	For the year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Increase/(decrease) in post-tax profit for the year	(415)	(551)

CAPITAL EXPENDITURE

During the Track Record Period, our Group did not incur any material capital expenditure. Our Group's capital expenditure for the years ended 31 March 2015 and 2016 amounted to approximately HK\$0.9 million and HK\$1.2 million respectively, comprising mainly expenditure for computer equipment.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations, bank facilities from banks as well as the [REDACTED] from the [REDACTED]. Where our Directors consider appropriate and necessary, we may raise additional funds on terms that are acceptable to us.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangements.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 11 November 2015 and has not carried out any business since the date of our incorporation save for the transactions related to the Reorganisation. Accordingly, there was no reserves available for distribution to the Shareholders as at 31 March 2016.

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UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group, which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules, is for illustrative purposes only, and is set forth to illustrate the effect of the [REDACTED] on our Group's combined net tangible assets as of 31 March 2016 as if the [REDACTED] had taken place on 31 March 2016.

This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our Group's financial position as of 31 March 2016 or any future date following the completion of the [REDACTED]. It is prepared based on our Group's audited combined financial information as of 31 March 2016 as set forth in the Accountants' Report in Appendix I to this document, and adjusted as described below. This unaudited pro forma statement of adjusted combined net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this document.

			Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share as at 31 March 2016 HK\$ (Note 3)
Audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 March 2016 HK\$'000 (Note 1)	Estimated [REDACTED] from the [REDACTED] HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company as at 31 March 2016 HK\$'000	
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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Notes:

1. The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 March 2016 is extracted from the Accountants' Report as set out in Appendix I to this document.
2. The estimated [REDACTED] from the [REDACTED] of [REDACTED] are based on the respective [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED] (being the low end and the high end of the indicative price range of the [REDACTED]), after deduction of the [REDACTED] fees and other related expenses payable by the Company in relation to the [REDACTED]. The estimated [REDACTED] do not take into account any Shares which may be granted under the Share Option Scheme as described in "D. Share Option Scheme" in Appendix VI to this document.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue but not taking into account any Shares that may be granted under the Share Option Scheme as described in the paragraph headed "Share Option Scheme" in Appendix VI to this document.
4. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2016.
5. The unaudited pro forma combined net tangible assets and unaudited pro forma adjusted combined net tangible asset per Share do not taken into the following accounts: i) the dividend declared for payment amounting to approximately HK\$[REDACTED]. As of report date, HK\$[REDACTED] has been settled and the remaining amount of approximately HK\$[REDACTED] shall be settled prior to the [REDACTED]; ii) the amount due to ultimate holding company, KHHL, approximately HK\$[REDACTED] has been capitalised on 23 September 2016. The unaudited pro forma adjusted combined net tangible asset per Share would have been reduced to HK\$[REDACTED] and HK\$[REDACTED] per Share based on the minimum and maximum [REDACTED] price of HK\$[REDACTED] and HK\$[REDACTED] per Share, respectively, after taking into accounts the payment of the dividend in the sum of HK\$[REDACTED] and capitalisation of approximately HK\$[REDACTED].

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, are exempted from the payment of the Cayman Islands income tax. For our subsidiaries incorporated in the BVI, they are incorporated as BVI business companies under the BVI Business Companies Act and are exempted from payment of income tax of BVI.

For our subsidiaries incorporated in Hong Kong, our profits arising in or derived from Hong Kong are subject to Hong Kong profits tax. Provision for Hong Kong profits tax has been calculated at the applicable rate of 16.5% for the years ended 31 March 2015 and 2016, on the estimated assessable profits of our subsidiaries operating in Hong Kong. For the income tax expense recognised by our Group during the Track Record Period, please refer to note 13 in section A of Appendix I to this document.

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Japan

As disclosed in the section headed "Our TK Arrangements" of this document, our Group invests in Japan real estate via our TK Arrangements. As our Group is a foreign corporation with no permanent establishment in Japan, the income derived from the TK Business is subject to a withholding tax at the rate of 20.42%. This should be our final tax in Japan provided we do not have a permanent establishment in Japan and do not participate in the TK Business. The remuneration that the TK Operator received from the TK Business is taxed at the normal national and local combined tax rate of approximately 34%.

NO MATERIAL ADVERSE CHANGE

In mid-April 2016, Kumamoto Prefecture, in which one of our Properties (Rise Shimodori EXE) is located, was struck by a series of earthquakes. Subsequent to the earthquakes, the insurance company of such Property had committed to cover repair costs of up to JPY2.5 million (equivalent to approximately HK\$0.2 million) resulting from damages caused by the earthquakes, out of which, we had spent approximately JPY418,000 (equivalent to approximately HK\$27,000) on repairs resulting from such damages up to the Latest Practicable Date, being the date of the latest update we have received. As a precautionary measure, our Group has also allocated an additional JPY10.0 million (equivalent to approximately HK\$0.7 million) to the capital expenditure reserve of the TK Operator of such Property. Our Directors, based on feedback from the property manager of the Property, do not expect the amount of repair costs will exceed the aforementioned reserve. On 3 August 2016, the Property was certified by the government of the Kumamoto City to belong to the category of properties which had suffered the lowest level of damages among the four levels of damages as categorised by the government. We will continue to liaise with the property manager who will coordinate with tenants regarding any necessary repairs to such Property going forward. Rental income generated from this Property accounted for approximately 6.8% and 4.5% of our Group's total revenue for the years ended 31 March 2015 and 2016 respectively whilst its appraised value accounted for approximately 7.9% of our property investment portfolio as at 31 March 2016. Other than this, our property investment activities remained steady with no investment or divestment activities of properties from 31 March 2016 to the Latest Practicable Date. Please refer to the paragraph headed "Net current liabilities" above in this section for details relating to our debt position since 31 March 2016.

Given our understanding of the intention of our associate, KK Tenyu AM, to diversify its business scope to include investment management in Japan and allocate resources away from asset management, introductory and marketing services provided by us (in the form of referring potential customers to KK Tenyu AM and our marketing activities incidental to such referrals) had ceased from July 2016 onwards since KK Tenyu AM ceased to require such services. In addition, following disposal of the Saizen REIT portfolio (for further details, please refer to the paragraph headed "Japan Residential Assets Manager Limited" under the section headed "History, Reorganisation and corporate structure" of this document), dividend income from our available-for-sale investments is expected to decrease and administrative service income received from JRAM SG (derived from the provision of administrative services, calculated on

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a cost recovery basis taking into account time costs, incurred by our staff and related expenses incurred for rendering such services) is expected to cease either as a result of the disposal of the entire portfolio under Saizen REIT in early 2016 and its subsequent dissolution or completion of the proposal as elaborated under the paragraph headed "Japan Residential Assets Manager Limited" of this document. Correspondingly, the share of results from JRAM SG through JRAM Cayman (our associate) is also expected to decrease. The completion of the proposal would also result in the sale of our JRAM SG interest. It is expected that (i) the cessation of introductory and marketing services to KK Tenyu AM; (ii) loss of dividend income from our available-for-sale investments; (iii) cessation of administrative service income from JRAM SG; and (iv) the decrease in share of results of JRAM Cayman will materially and adversely affect the Group's financial results for the year ending 31 March 2017 and going forward. According to its announcement on 15 August 2016, Saizen REIT has entered into a framework agreement with Sime Darby Property Singapore Limited ("**SDPSL**") for the proposed acquisition by Saizen REIT of industrial properties in Australia (the "**Proposal**"). In this connection, JRAM Cayman has agreed to sell 80% of its interest in JRAM SG to SDPSL (the "**JRAM Sale**"). The Proposal and JRAM Sale are inter conditional. Should this proceeds, our Group is expected to recognise a one-off investment gain on the JRAM Sale of approximately HK\$3.2 million.

Notwithstanding the above, our Directors confirm that, as of the date of this document, there has been no material adverse change in the financial or trading position or the prospects of our Group since 31 March 2016, being the date of our Company's latest financial statements as set out in Appendix I to this document.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS AND BUSINESS OBJECTIVES

The [REDACTED] from the [REDACTED] are estimated to be approximately HK\$[REDACTED] assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point [REDACTED]) and [REDACTED] being offered under the [REDACTED] and after deducting the [REDACTED] and expense relating to the [REDACTED].

We intend to expand our business in line with the strategies set out in the paragraph headed “Business strategies” under the section headed “Business” of this document. In particular, we intend to use approximately HK\$[REDACTED] of the [REDACTED] to repay existing debts with an intention to improve our financial position, gearing and liquidity, HK\$[REDACTED] of the [REDACTED] to extend the scope of the corporate finance services currently offered by our Group and HK\$[REDACTED] of the [REDACTED] to enhance our human resources.

Reasons for the [REDACTED] and use of [REDACTED]

The [REDACTED] will enhance our Group’s capital base and provide our Group with additional working capital to implement the future plans set out in the paragraph headed “Implementation plans” in this section. Moreover, our Directors believe that upon [REDACTED], the increased prestige and higher public credibility afforded by a [REDACTED] status on [REDACTED] will propel both our corporate finance and property investment businesses as follows:

Corporate finance

Our profile as a company listed on [REDACTED] will enhance our ability to capitalise on the growing trend of the corporate finance industry in Hong Kong through raising confidence of potential and existing clients as well as existing staff and potential recruits in us. As aforementioned, our corporate finance activities is by nature, human resources intensive. In this regard, to maintain service quality, our Directors place strong emphasis on cultivating the corporate finance advisory team, be it technical knowledge and soft skills on a personal level or teamwork as a group. Since a stable advisory team may allow our Group to continuously groom the professional skills of our staff who can also take on more responsibility through promotions as their experience increases, our Directors consider staff retention to be one of the key factors to the growth of our corporate finance activities. In this connection, the enhanced liquidity of our Shares upon [REDACTED] will allow us to utilise, amongst other things, the Share Option Scheme as an additional incentive for our staff to continue their contribution to our Group and thereby enhance our staff retention ability and in turn our ability to further expand our corporate finance activities.

Property investment

The enhanced public credibility from the [REDACTED] status will equip our Group with more business flexibility – from obtaining loans from financial institutions to being able to [REDACTED] the Company’s securities as consideration for acquisitions. In particular, we understand that in Japan, listed entities are looked upon more favourably by financial institutions when extending financial assistance. This, together with the additional access of equity financing upon [REDACTED], will boost our ability to scale up our property investment activities, which is, by nature, capital intensive.

FUTURE PLANS AND USE OF [REDACTED]

USE OF [REDACTED]

[REDACTED]

We intend to use the [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] for the following purposes:

- (i) as to approximately [REDACTED]%, representing approximately HK\$[REDACTED], will be used for repayment of existing debts with an intention to improve our financial position, gearing and liquidity in the order set out below:
 - the utilised amount of approximately HK\$[REDACTED] as at 31 July 2016. These revolving bank facilities were obtained for general working capital purposes and have no maturity date. The utilised amount is repayable on demand by the bank with interest at 2.5% per annum over HIBOR (annual interest would amount to approximately HK\$[REDACTED] based on utilised amount and HIBOR as at 31 July 2016);
 - the outstanding balance of approximately HK\$[REDACTED] as at 31 July 2016 in relation to the instalment loan maturing on 10 March 2034 with interest at 2.5% per annum below Basic Lending Rate (for illustration purposes, adopting the Basic Lending Rate as at 31 July 2016, interest expenses for the year ending 31 March 2017 related thereto would amount to approximately HK\$[REDACTED]); and, if funding is available;
 - the outstanding balance of approximately HK\$[REDACTED] as at 31 July 2016 in relation to the instalment loan maturing on 26 March 2032 with interest at 3% per annum over HIBOR (for illustration purposes, adopting HIBOR as at 31 July 2016, interest expenses for the year ending 31 March 2017 related thereto would amount to approximately HK\$[REDACTED]).

Please refer to the paragraph headed "Indebtedness" under the section headed "Financial information" of this document for further details;

- (ii) as to approximately [REDACTED]%, representing approximately HK\$[REDACTED], will be used for expanding the range of corporate finance services offered to our clients, in particular to undertake [REDACTED] or [REDACTED] activities for our sponsorship clients;
- (iii) as to approximately [REDACTED]%, representing approximately HK\$[REDACTED], will be used for enhancement of human resources, such as recruitment and retention of licensed personnel as well as provision of professional training for licensed personnel and/or other professional staff (i.e certified public accountants in our finance and accounts department); and
- (iv) the remaining amount of approximately not more than [REDACTED]%, representing approximately HK\$[REDACTED], will be used for our working capital and other general corporate purposes.

FUTURE PLANS AND USE OF [REDACTED]

If the final [REDACTED] is set at the high end or the low end point of the indicative [REDACTED] range, the [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively. Any amount raised above the mid-point [REDACTED] will be deployed for repaying existing debt financing. Save for the HK\$[REDACTED] intended for repaying existing debt financing, any sum raised below the mid-point [REDACTED] (but within the range) will be deployed for the remaining purposes in the same proportion. To the extent that the [REDACTED] of the [REDACTED] are not immediately applied for the above purposes, it is our present intention that such [REDACTED] will be deposited into interest-bearing bank accounts with licensed financial institutions in Hong Kong.

Should our Directors decide to re-allocate the intended use of [REDACTED] to other business plans to a material extent and/or there is any material modification to the use of [REDACTED] as described above, our Company will issue an announcement in accordance with the GEM Listing Rules.

[REDACTED] and expenses

[REDACTED] is expected to receive an [REDACTED], being [REDACTED]% of the gross [REDACTED] on the [REDACTED] (other than the [REDACTED] to be allotted and issued to the [REDACTED]), out of which it will pay any [REDACTED]. The [REDACTED], advisory and documentation fees and expenses, together with the GEM [REDACTED] fees (as prescribed in the GEM Listing Rules), legal and other professional fees, and printing and other expenses relating to the [REDACTED] and [REDACTED] (as negotiated and agreed between each service provider and our Company on an arm's length basis), are estimated to be approximately HK\$[REDACTED] (excluding the fees amounting to HK\$[REDACTED] paid to Altus Capital as one of [REDACTED] to our Company) and are to be borne by our Company.

Implementation plans

Set out below the expected timeline from the Latest Practicable Date to 30 September 2017 for our Group to deploy the abovementioned [REDACTED] to be raised from the [REDACTED], in accordance with the implementation of our future plans.

	For the period from the Latest Practicable Date		For the six months ending			
	to 31 March 2017	30 September 2017	31 March 2018	30 September 2018	31 March 2019	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Repayment of existing debt financing	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expansion of financial services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of human resources	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

For the period from the Latest Practicable Date to 31 March 2017

Corporate finance

- The recruitment of up to two new junior staff, if thought appropriate, to strengthen the advisory team and expand its capacity going forward
- The enhancement of productivity of our workforce, particularly the ongoing training (including the Hong Kong Institute of Certified Public Accountants exams and the Hong Kong Securities Institute licences) and retention of our existing workforce

Property investment

- Repayment of existing debt financing

For the six months ending 30 September 2017

Corporate finance

- The recruitment of up to two new junior staff, if thought appropriate, to strengthen the advisory team and expand its capacity going forward
- The enhancement of productivity of our workforce, particularly the ongoing training (including the Hong Kong Institute of Certified Public Accountants exams and the Hong Kong Securities Institute licences) and retention of our existing workforce
- [REDACTED] services to our sponsorship clients – to this end, based on the consideration of past sponsorship deal flow and the latest information available to us, we expect certain sponsorship engagements shall achieve [REDACTED] and for which we preliminarily expect to [REDACTED] services during this period. Our Group would earmark sufficient financial resources before committing to any [REDACTED] obligations. To this end, [REDACTED] used for this purpose shall form the earmarked financial resources required to be set aside to ensure we meet our obligations

For the six months ending 31 March 2018

Corporate finance

- [REDACTED] services to our sponsorship clients – to this end we have earmarked certain sponsorship engagements which according to the latest information available to us, we expect shall achieve [REDACTED] and for which we preliminarily expect to [REDACTED] services during this period. Our Group would earmark sufficient financial resources before committing to any [REDACTED] obligations. To this end, [REDACTED] shall form the earmarked financial resources to be set aside to ensure we meet our obligations.

FUTURE PLANS AND USE OF [REDACTED]

For the six months ending 30 September 2018

We intend to continue to pursue our business strategies, such as the enhancement of human resources and the expansion of our existing investment portfolio.

Our Directors shall also assess the results of our business strategies and utilisation of [REDACTED] during the preceding period subsequent to [REDACTED] and evaluate our Group’s market, operational and financial position and consider its strategies going forward.

For the six months ending 31 March 2019

We intend to continue to pursue our business strategies, such as the enhancement of human resources and the expansion of our existing investment portfolio.

Our Directors shall also assess the results of our business strategies and utilisation of [REDACTED] during the preceding period subsequent to [REDACTED] and evaluate our Group’s market, operational and financial position and consider its strategies going forward.

Basis and assumptions

The implementation plan formulated by our Directors is based on the following general assumptions:

- our Group will be able to renew/obtain all relevant licences required for our existing business activities;
- there will be no material change in the business development requirements during the period resulting from changes in the legal, fiscal or economic conditions in Hong Kong and Japan;
- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its properties or facilities;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- our Group is able to maintain its existing customers and expand its customer portfolio as planned;
- the [REDACTED] will be completed in accordance with the terms as described in the section headed “Structure and conditions of the [REDACTED]” of this document;

FUTURE PLANS AND USE OF [REDACTED]

- there will be no material differences between the actual capital requirements for implementing the above plans and the amounts estimated by our Group;
- we will be able to retain our key staff in our management team as well as our professional staff;
- our Group will be able to recruit suitable staff for our expansion as planned;
- we will not be materially affected by any risk factors set out in the section headed "Risk factors" of this document; and
- we will continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions.

UNDERWRITING

[REDACTED]

[REDACTED] ARRANGEMENTS AND EXPENSES

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

COMMISSION AND EXPENSES

[REDACTED] is expected to receive a commission of [REDACTED]% of the aggregate [REDACTED] of all the [REDACTED] (other than the [REDACTED] to be allotted and issued to the [REDACTED]) according to the arrangements of the [REDACTED], out of which it will pay any sub-underwriting commissions. The Joint Sponsors will receive a sponsorship and documentation fee to the [REDACTED]. The aggregate fees and commission, together with the Stock Exchange [REDACTED] fee, Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the [REDACTED], are currently estimated to be approximately HK\$[REDACTED] in aggregate, which will be borne by our Company.

JOINT SPONSORS AND [REDACTED] INTERESTS IN THE COMPANY

New Spring Capital satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules. Altus Capital is a wholly-owned subsidiary of our Company and as such it is not independent of our Company.

Following the completion of the [REDACTED], the [REDACTED] and its affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the [REDACTED]. Save as contemplated pursuant to the [REDACTED], none of the Joint Sponsors, the [REDACTED] and any of their directors, employees or associates has any shareholding in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares.

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by Hong Kong Institute of Certified Public Accountant.



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

[REDACTED]

The Board of Directors
Altus Holdings Limited
New Spring Capital Limited
Altus Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the “Financial Information”) relating to Altus Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the years ended 31 March 2015 and 2016 (the “Track Record Period”) for inclusion in the document of the Company dated [REDACTED] in connection with the proposed initial [REDACTED] of the Company’s shares on [REDACTED] of [REDACTED] of Hong Kong Limited (the “Stock Exchange”) (the “Document”).

The Company was incorporated as an exempted company with limited liability on 11 November 2015 in the Cayman Islands under the Companies Law, Chapter 22 of the Cayman Islands. Pursuant to a group reorganisation as detailed in the section headed “History, Reorganisation and corporate structure”, the Company became the holding company of the companies now comprising the Group upon completion of the Reorganisation on 26 September 2016.

The Company is an investment holding company and has not carried out any business since the date of its incorporation.

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ACCOUNTANTS’ REPORT

Upon the Reorganisation, the Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Form of business	Place and date of incorporation	Issued and fully paid-up share capital	Percentage of equity interest attributable to the Group		At the date of this report	Principal activities
				31 March 2015	31 March 2016		
Altus Asset Management Limited (“Altus Asset Management”) (note ii)	Incorporated	Hong Kong 18 July 1996	HK\$2,001,100	74.55%	N/A	N/A	Deregistered
Altus Capital Limited (“Altus Capital”)	Incorporated	Hong Kong 12 May 2000	HK\$12,500,000	100%	100%	100%	Financial advisory services and investment holding
Altus Investments Limited (“Altus Investments”)	Incorporated	Hong Kong 18 August 2004	HK\$50,194,941 (2015: HK\$8,499,999) (note vi)	100%	100%	100%	Investment holding
EXE Rise Shimodori Investor Limited (“EXE”)	Incorporated	The British Virgin Islands (the “BVI”) 27 August 2010	JPY100,000	90%	90%	90%	Investment holding
Galaxy Base Limited (“Galaxy Base”)	Incorporated	Hong Kong 2 December 2011	HK\$50	54%	100% (note iv)	100%	Property investment
Godo Kaisha Bohol (“GK Bohol”)	Incorporated	Japan 16 March 2007	JPY1,000,000	87.83%	87.83%	87.83%	Property investment
Godo Kaisha Choun (“GK Choun”)	Incorporated	Japan 17 May 2007	JPY10,000	100%	100%	100%	Property investment
Godo Kaisha Hayama Shouten (“GK Hayama Shouten”)	Incorporated	Japan 6 August 2010	JPY10,000	90%	90%	90%	Property investment
Godo Kaisha Mameha (“GK Mameha”)	Incorporated	Japan 1 April 2013	JPY10,000	77.57%	77.57%	78.70% (note v)	Property investment
Greenery Limited (“Greenery”) (note ii)	Incorporated	The BVI 23 January 2002	US\$2	100%	N/A	N/A	Liquidated
I Corporation (“I Corporation”)	Incorporated	The BVI 25 September 2000	US\$70	80%	80%	80%	Investment holding

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ACCOUNTANTS' REPORT

Name of subsidiaries	Form of business	Place and date of incorporation	Issued and fully paid-up share capital	Percentage of equity interest attributable to the Group			Principal activities
				31 March 2015	31 March 2016	At the date of this report	
Pleasant Hilltop Limited ("Pleasant Hilltop")	Incorporated	The BVI 8 September 2015	US\$1	N/A	100%	100%	Investment holding
Residence Motoki Investment Limited ("Residence")	Incorporated	The BVI 28 March 2013	JPY3,000,000	77.57%	77.57%	78.70% (note v)	Investment holding
Smart Tact Investment Limited ("Smart Tact HK") (note ii)	Incorporated	Hong Kong 3 February 2010	HK\$39,694,699	87.83%	N/A	N/A	Liquidated
Smart Tact Property Investment Limited ("Smart Tact")	Incorporated	The BVI 17 April 2013	HK\$9,220	87.83%	87.83%	87.83%	Investment holding
Starich Resources Limited ("Starich")	Incorporated	The BVI 28 February 2000	US\$7	100%	100%	100%	Property investment and investment holding
Whalehunter Investments Limited ("Whalehunter")	Incorporated	The BVI 30 September 2015	US\$1	N/A	100%	100%	Investment holding
Yugen Kaisha Hourei ("YK Hourei")	Incorporated	Japan 8 September 2005	JPY3,000,000	100%	100%	100%	Property investment
Yugen Kaisha Houten ("YK Houten")	Incorporated	Japan 4 September 2003	JPY3,000,000	100%	100%	100%	Property investment

Notes:

- (i) Altus Investments, GK Choun, Pleasant Hilltop and Whalehunter are directly held by the Company as at 31 March 2016. All other subsidiaries are indirectly held by the Company.
- (ii) Altus Asset Management, Greenery and Smart Tact HK, have been deregistered/voluntary liquidated during the year ended 31 March 2016.
- (iii) For those entities incorporated in Japan, the operation is carried out in Japan. For the entities incorporated in Hong Kong and the BVI, their operations are carried out in Hong Kong.
- (iv) Pursuant to the Reorganisation during the Track Record Period, Altus Investments has acquired 46% equity interest in Galaxy Base from Kinley-Hecico Holdings Limited, the ultimate holding company, on 31 March 2016.
- (v) On 26 April 2016, Starich has acquired 1.13% equity interest from non-controlling shareholders of Residence with a consideration of approximately HK\$248,000. After the acquisition of Residence, the effective equity interest in GK Mameha held by the Group was increased to 78.70%.
- (vi) On 8 April 2016 and 23 September 2016, Altus Investments has subsequently issued and allotted additional share capital to KHHL amounting to HK\$98,983,564 in aggregate. Details of the issuance of shares were set out in note 31 in the Appendix I to the Document.

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ACCOUNTANTS' REPORT

The Company, Altus Asset Management, Altus Capital, Altus Investments, EXE, Galaxy Base, Greenery, I Corporation, Pleasant Hilltop, Residence, Smart Tact HK, Smart Tact, Starich, and Whalehunter have adopted 31 March as their financial year end date. YK Houten, and YK Hourei have adopted 30 June, GK Hayama Shouten has adopted 31 July, and GK Bohol, GK Choun and GK Mameha have adopted 31 December as their financial year end date respectively.

No statutory audited financial statements have been prepared for the Company, EXE, GK Bohol, GK Choun, GK Hayama Shouten, GK Mameha, Greenery, I Corporation, Pleasant Hilltop, Residence, Smart Tact, Whalehunter, YK Hourei and YK Houten as there is no such statutory requirement under the relevant rules and regulations. No statutory audited financial statements have been prepared for Smart Tact HK for the year ended 31 March 2015 onward as it was dissolved during the year ended 31 March 2015. However, for the purpose of this report, we have reviewed all the relevant transactions of these companies since their respective dates of incorporation to the date of this report and carried out such procedures as we considered necessary in preparing our report for inclusion in the Document.

The audited statutory financial statements of Altus Capital, Altus Investments, Galaxy Base and Starich for the year ended 31 March 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by SHINEWING (HK) CPA Limited, a certified public accountants registered in Hong Kong.

No statutory audited financial statements have been prepared for Altus Asset Management for the year ended 31 March 2015 and 2016 as it was deregistered during the year ended 31 March 2016.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period in accordance with accounting policies set out in note 4 of section A below which conform to HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out procedures which we considered necessary in accordance with the Auditing Guidelines 3.340 "Prospectuses and the Reporting Accountant" recommended by the HKICPA.

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of preparation set out in note 2 of Section A below. No adjustments were considered necessary to the Underlying Financial Statements in preparing the Financial Information for inclusion in the Document.

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The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Document in which the 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.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 March 2016.

In our opinion, on the basis set out in note 2 of Section A below, the Financial Information, for the purpose of this report, gives a true and fair view of the financial position of the Group as at 31 March 2015 and 2016, of the financial position of the Company as at 31 March 2016 and of the combined financial performance and cash flows of the Group for the Track Record Period.

APPENDIX I

ACCOUNTANTS' REPORT

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March	
		2015 HK\$'000	2016 HK\$'000
Revenue	9	34,414	48,160
Other income	11	4,233	13,082
Net increase (decrease) in fair value of investment properties	19	6,166	(303)
Changes in fair value of derivative financial liabilities		(216)	(512)
Impairment loss on available-for-sale investments		–	(4,692)
Property expenses		(6,613)	(6,994)
Administrative and operating expenses		(19,316)	(27,708)
Share of results of associates		3,470	4,372
Finance costs	12	(2,478)	(3,317)
Profit before tax		19,660	22,088
Income tax expense	13	(3,706)	(4,395)
Profit for the year	14	15,954	17,693
Other comprehensive (expense) income for the year			
<i>Items that will be subsequently reclassified to profit or loss</i>			
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		(36)	(1,412)
Change in fair value of available-for-sale investments		(1,220)	(4,279)
Reclassification adjustment upon impairment of available-for-sale investments		–	4,692
Exchange differences arising on translation of foreign operations		(20,074)	14,189
Share of translation reserve of associates		(4,080)	2,328
Other comprehensive (expense) income for the year		(25,410)	15,518
Total comprehensive (expense) income for the year		(9,456)	33,211
Profit for the year attributable to:			
Owners of the Company		15,761	17,331
Non-controlling interests		193	362
		15,954	17,693
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(8,660)	32,478
Non-controlling interests		(796)	733
		(9,456)	33,211

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ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

		The Group At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000	The Company At 31 March 2016 HK\$'000
	NOTES			
Non-current assets				
Property, plant and equipment	18	47,072	45,531	–
Investment properties	19	316,219	351,721	–
Interests in associates	20	25,981	29,090	–
Available-for-sale investments	21	11,367	1,335	–
		400,639	427,677	–
Current assets				
Trade and other receivables	22	2,826	12,208	–
Amount due from a director	23	3,323	2,098	–
Amounts due from associates	24	1,721	1,229	–
Amounts due from non-controlling interests	24	2,774	–	–
Deposits placed in financial institution	25	1,648	151	–
Bank balances and cash	25	29,634	53,662	–
		41,926	69,348	–
Current liabilities				
Trade and other payables	26	6,551	8,530	–
Amount due to ultimate holding company	24	13,413	31,484	–
Amount due to a director	24	195	121	–
Amounts due to associates	24	37	37	–
Tax payable		1,734	4,323	–
Secured bank borrowings	27	49,964	66,694	–
		71,894	111,189	–
Net current liabilities		(29,968)	(41,841)	–
Total assets less current liabilities		370,671	385,836	–
Non-current liabilities				
Secured bank borrowings	27	57,697	62,270	–
Derivative financial instruments	28	695	887	–
Other payables – tenant deposits – over 1 year	26	114	73	–
Provision for long service payment	29	168	168	–
Deferred tax liabilities	30	10,060	11,871	–
		68,734	75,269	–
		301,937	310,567	–
Capital and reserves				
Share capital	31	43,544	50,195	–
Reserves		243,450	249,317	–
Equity attributable to owners of the Company		286,994	299,512	–
Non-controlling interests		14,943	11,055	–
		301,937	310,567	–

Attributable to owners of the Company

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ACCOUNTANTS' REPORT

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium (note i) HK\$'000	Other reserve (note ii) HK\$'000	Special Reserve (note iii) HK\$'000	Investment revaluation reserve HK\$'000	Shareholder contribution (note iv) HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000		
At 1 April 2015	43,544	79,991	6	-	999	-	(42,730)	205,184	14,943	301,937
Profit for the year	-	-	-	-	-	-	-	17,331	362	17,693
Other comprehensive (expenses) income for the year	-	-	-	-	-	-	-	-	-	-
- Reclassification adjustments for the cumulative loss included in profit or loss upon disposal of available-for-sale investments	-	-	-	-	(1,412)	-	-	-	-	(1,412)
- Change in fair value of available-for-sale investments (note 21)	-	-	-	-	(4,279)	-	-	-	-	(4,279)
- Reclassification adjustment upon impairment of available-for-sale investments	-	-	-	-	4,692	-	-	4,692	-	4,692
- Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	13,818	-	371	14,189
- Share of translation reserve of associates	-	-	-	-	-	-	2,328	-	-	2,328
	-	-	-	-	(999)	-	16,146	-	371	15,518
Total comprehensive (expense) income for the year	-	-	-	-	(999)	-	16,146	17,331	733	33,211
Issue of shares by a subsidiary (note 31)	4	18,443	-	-	-	-	-	-	2,556	21,003
Issue of shares to ultimate holding company (note 31)	41,511	-	-	(41,511)	-	-	-	-	-	-
Contribution from shareholder (note 38)	-	-	-	-	-	357	-	-	-	357
Deregistration of subsidiaries (note 31)	(34,864)	-	-	-	-	-	-	-	(5,340)	(40,204)
Dividends paid (note 16)	-	(369)	-	-	-	-	-	(3,531)	(1,837)	(5,737)
At 31 March 2016	50,195	98,065	6	(41,511)	-	357	(26,584)	218,984	11,055	310,567

APPENDIX I

ACCOUNTANTS' REPORT

Notes:

- (i) Share premium represents the difference between the shareholders' contribution and the issued capital and it is distributable.
- (ii) Other reserve represents the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received arising from changes in the Group's ownership interests in existing subsidiaries that do not result in the loss of control and they are accounted for as equity transactions.
- (iii) Amount represents the difference between the nominal value of the share capital issued by Altus Investments for the acquisition of the equity interests of Galaxy Base, Smart Tact and Residence held by the ultimate holding company.
- (iv) Amounts represent the employee benefits borne by the ultimate holding company, details of which are set out in note 34.

APPENDIX I

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Profit before tax	19,660	22,088
Adjustments for:		
Finance costs	2,478	3,317
Bank interest income	(5)	(7)
Reversal of impairment allowances of trade receivables	(5)	(158)
Impairment loss on trade receivables	127	–
Depreciation of property, plant and equipment	4,175	1,664
Share based payments	–	357
Gain on disposal of available-for-sale investments	(36)	(1,412)
Loss on disposal of an associate	–	1,066
Loss on deemed disposal of an associate	177	–
Impairment loss on an available-for-sale investment	–	4,692
Changes in fair value of derivative financial instruments	216	512
Share of results of associates	(3,470)	(4,372)
Net (increase) decrease in fair value on investment properties	(6,166)	303
Dividend income from available-for-sale investments	(658)	(8,038)
	<hr/>	<hr/>
Operating cash flow before movements in working capital	16,493	20,012
Increase in trade and other receivables	(193)	(1,703)
Increase in trade and other payables	1,098	1,848
	<hr/>	<hr/>
CASH GENERATED FROM OPERATIONS	17,398	20,157
Income tax paid	(2,241)	(616)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	15,157	19,541
	<hr/>	<hr/>

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	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
INVESTING ACTIVITIES		
Acquisition of available-for-sale investments	(870)	(74)
Proceed from disposal of available-for-sale investments	92	4,719
(Advances to) repayments from associates	(364)	492
(Advances to) repayments from a director	(3,314)	1,225
Interest received	5	7
Proceed from disposal of an associate	–	1,275
Dividend received from associates	2,098	1,250
Dividend received from available-for-sale investments	508	517
Purchase of investment properties	(102,837)	(18,016)
Purchase of property, plant and equipment	(280)	(123)
NET CASH USED IN INVESTING ACTIVITIES	(104,962)	(8,728)
FINANCING ACTIVITIES		
Interest paid	(3,438)	(3,600)
New borrowing raised	62,615	51,936
Repayments of borrowings	(22,465)	(35,248)
Dividends paid	(1,986)	(2,226)
Repayments to ultimate holding company	(440)	(769)
Acquisition of additional interest of a subsidiary	(32)	–
Capital injection by ultimate holding company for the incorporation of a new subsidiary	63,626	–
Advances from (repayments to) a director	89	(74)
NET CASH FROM FINANCING ACTIVITIES	97,969	10,019
Net increase in cash and cash equivalents	8,164	20,832
Cash and cash equivalents at the beginning of the year	25,492	31,282
Effect of foreign exchange rate changes	(2,374)	1,699
Cash and cash equivalents at the end of the year	31,282	53,813
Analysis of components of cash and cash equivalents:		
Deposits placed in financial institution	1,648	151
Bank balances and cash	29,634	53,662
	31,282	53,813

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NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company with limited liability on 11 November 2015 in the Cayman Islands under the Companies Law, Chapter 22 of the Cayman Islands. The ultimate holding company is Kinley-Hecico Holdings Limited (formerly known as “Kinley BVI Limited”) (“KHHL”), a company incorporated in the BVI with limited liability and KHHL is ultimately controlled by two parties, Chan Kit Lai Cecilia and The General Trust Company S.A. which the beneficiaries of the trust are Ip Arnold Tin Chee and Lam Ip Tin Wai Chyvette.

The addresses of the registered office and the principal place of business of the Company are detailed in the section headed “Corporate Information” of the Document. The Company is engaged in investment holding and the Group’s major operating subsidiaries are mainly engaged in the provision of corporate finance services and property investments.

The Financial Information is presented in Hong Kong dollars (“HK\$”) which is same as the functional currency of the Company. Other than those subsidiaries incorporating in Japan, whose functional currency is Japanese Yen (“JPY”), the functional currency of the Company and other subsidiaries is HK\$.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

(A) Reorganisation

Prior to the Reorganisation, the Company, GK Choun and Altus Investments and its subsidiaries, and all of them were held as to 100% by KHHL.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 26 September 2016. The companies now comprising the Group resulting from the Reorganisation have been under the common control of the ultimate holding company, KHHL throughout the Track Record Period or since their respective dates of incorporation up to 31 March 2016 and is regarded as a continuing entity. Accordingly, the Financial Information has been prepared and presented on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the Track Record Period by applying the principles of merger accounting with reference to Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation up to 31 March 2016, wherever that is a shorter period. The combined statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

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(B) Going concern

Notwithstanding that the Group had incurred net current liabilities of approximately HK\$41,841,000 as at 31 March 2016, the combined financial statements as at 31 March 2016 have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration of the following matters:

- (i) The amount due to ultimate holding company of approximately HK\$27,004,000 as at 31 March 2016 has been capitalised on 23 September 2016;
- (ii) The bank borrowings of approximately HK\$21,566,000 with the repayment on demand clause which are not repayable within one year from the end of the reporting period according to the repayment schedule were classified as current liabilities in accordance with Hong Kong IFRS Interpretations Committee (the "IFRIC") – Interpretation 5 – Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the HKICPA. Such bank borrowings were pledged against the investment property at fair value of approximately HK\$58,000,000 and land and building at carrying amount of approximately HK\$45,244,000 owned by the Group as at 31 March 2016, hence, its repayment is expected to be fully recovered through the realisation of this asset by sale should the repayment on demand clause be exercised.
- (iii) The directors of the Company anticipate that the Group will generate positive cash flow from its operations; and
- (iv) As at 31 March 2016, the Group has unutilised banking facilities of approximately HK\$12,100,000.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2016. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these financial statements on a going concern basis. The combined financial statements as at 31 March 2016 do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE

The Financial Information have been prepared in accordance with HKFRSs, which comprise all standards and interpretations issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 April 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Period.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the Track Record Period. As a result, there are changes to presentation and disclosures of certain information in the Financial Information.

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New and revised HKFRSs issued but not yet effective

At the date of this report, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Lease ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKFRS 15	Clarification to HKFRS 15 ³

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2017.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective date not yet been determined.

⁵ Effective for annual periods beginning on or after 1 January 2019.

The directors of the Company anticipate that, except as described below, the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments 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 contractual 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 values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the 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 profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Group is in the process of assessing the potential impact on the financial performance resulting from the adoption of HKFRS 9. So far it has concluded that the adoption of HKFRS 9 may have an impact on the Group's results and financial position, including the measurement of financial asset. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with the expected loss impairment model for its exposure to credit risk. Until a detailed review of the impact of adopting HKFRS 9 is performed, it is not possible to ascertain an accurate quantified estimate to assess the significance of the likely impact on the financial statements.

HKFRS 15 Revenue from Contracts with Customers

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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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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.

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. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the timing of revenue recognition (in particular revenue derived from corporate finance business), which may be affected by the new standard, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

Annual Improvements to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's Financial Information.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- (i) when the intangible asset is expressed as a measure of revenue;
- (ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

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The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's Financial Information.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of amendments of HKFRS 10 and HKAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint ventures and sales or contribution of assets between the Company and its associates, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's Financial Information.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may affect on the presentation and disclosures made in the Group's Financial Information.

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HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. 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 interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The Group acts as a lessor in property investments segment, the adoption of HKFRS 16 does not change substantially how the Group accounts for leases as a lessor.

HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The HKICPA has issued an amendment, Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions, addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendments to HKFRS 2 will become effective for financial statements with annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments should be applied retrospectively.

The amendments clarified the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled share-based payment to equity-settled share-based payment. It also introduces an exception to the principles in HKFRS 2 that will require an award to be treated as if it was wholly equity-settled share-based payment, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's combined financial statement as the existing share-based payment entered into between KHHL with the Group's employees are equity-settled share-based payments and the Group is not obliged to withhold an amount for the employees' tax obligation associated with the share-based payment under the relevant tax laws in Hong Kong.

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 GEM Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, 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 services.

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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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company upon the Reorganisation. 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 stated above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income or expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on the initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements items of the combining entities or business in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

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The net assets of the combining entities or businesses 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 includes the results of each of the combining entities or businesses 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.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Financial Information using the equity method of accounting. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and changes in the other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gain and losses resulting from transactions between the Group and its associate are recognised in Financial Information only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

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Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts.

Corporate finance service income is recognised when the underlying services have been provided or the significant acts have been achieved in accordance with the terms of the service agreement.

Rental income is recognised on a straight-line basis over the terms of the relevant leases.

Administrative fee income and marketing service income is recognised in accordance with the terms of contract when the relevant services have been rendered.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the group and the amount can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land and building (classified as finance leases) held for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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 in profit or loss on a straight-line basis over the term of the relevant lease.

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Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the combined statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Taxation

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

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

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

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 the 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.

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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 as expense immediately in profit or loss.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Cash and cash equivalents

Cash in the combined statements of financial position comprise cash at banks and financial institution and on hand with a maturity of three months or less.

For the purpose of the combined statements of cash flows, cash and cash equivalents represent cash as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position 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.

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Financial assets

Financial assets are classified into two of the four categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 other than those derivative financial assets classified, of which interest income is included in change in fair value of derivative financial assets, if any.

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 an associate/non-controlling interests/a director, deposits placed in financial institution and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period. The Group designated club debentures as available-for-sale financial assets and it is measured at cost less and identified impairment losses at the end of each reporting period. (see the accounting policy in respect of impairment of financial assets below).

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.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

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- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amounts due from a director/an associate/non-controlling interests, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and other receivables or an amount due from a director/an associate/non-controlling interests is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income accumulated in investment revaluation reserve. For available-for-sale investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

The Group's financial liabilities are classified into other financial liabilities including trade and other payables, amounts due to ultimate holding company/a director/an associate and secured bank 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 other than those derivative financial liabilities, of which interest expense is included in changes in fair value of derivative financial liabilities.

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Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Derivative financial instruments

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

Borrowing costs

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Fair value measurement

When measuring fair value, the Group takes into account the characteristics of the assets or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level inputs that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets or liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4 above, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Control in the tokumei kumiai ("TK") operators ("TK Operators")

The Group invests in the investment properties located in Japan by entering into Japanese tokumei kumiai arrangements ("TK Arrangement") as a tokumei kumiai investor ("TK Investor") with Japanese limited liability companies known as TK Operators, which are the property holding companies. The relationship between the TK Operators and TK Investors is governed by tokumei kumiai agreements ("TK Agreements"), whereby the TK Investors provide funds to the TK Operators in return for income derived from the investments properties held by the TK Operators. Under the TK Agreements, profits or losses generated from TK Operators will be returned to the Group periodically. Therefore, the Group is exposed to the substantial of risks and rewards from its agreements with the TK Operators and the underlying property holding business. Besides, the Group exercises its control over the TK Operators by making decisions to direct the relevant activities, e.g. investment decision making (including acquisition and disposal of the properties and financing activities), monitoring of the leasing status and rental return from the properties, etc. Based on the substances of the arrangement and the legal advice, the directors of the Company are of the view that the Group is able to exercise control in the TK Operators during the Track Record Period.

Significant influence over an associate

The directors of the Company considered investment in AJ Investments Group Ltd ("AJ Investments"), in which the Group has 12.05% equity interests as at 31 March 2015, to be an associate of the Group. The Group has significant influence over AJ Investments through its involvement in policy-making processes as the Group has one-third of the voting power in AJ Investments.

During the year ended 31 March 2016, the Group fully disposed of its equity interest in AJ investments. Details are disclosed in note 20.

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Going concern and liquidity

The assessment of the going concern assumptions involves making judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2.

Equity settled share-based payments transactions

During the year ended 31 March 2016, the ultimate holder of the Company, KHL, granted share options to certain directors of the Company, details of which are set out in note 38. The fair value of the share options granted and the amount recognised during the year ended 31 March 2016 depends on the management judgment on the assumptions adopted in the valuation methodology.

Key source of estimation uncertainty

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment loss on property, plant and equipment

The impairment loss on property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on fair value less cost of disposal. The directors of Company select an appropriate technique to determine the recoverable amounts of property, plant and equipment. These calculations require the use of estimates such as market comparables in similar areas and the relevant adjustments (e.g. size, age of the property, location, etc.). As at 31 March 2015 and 31 March 2016, the carrying values of property, plant and equipment were approximately HK\$47,072,000 and HK\$45,531,000 respectively. No impairment loss was recognised during the Track Record Period.

Fair value of derivatives

As stated in note 8, the directors of the Company use their judgement in selecting an appropriate valuation technique for derivatives financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The carrying amount of the derivatives financial instruments as at 31 March 2015 and 31 March 2016 was approximately HK\$695,000 and HK\$887,000 respectively. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of derivatives. Details of the assumptions used are disclosed in note 8.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 March 2015 and 31 March 2016 was approximately HK\$316,219,000 and HK\$351,721,000 respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged during the Track Record Period.

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The capital structure of the Group consists of net debt which includes the secured bank borrowings disclosed in note 27, amount due to ultimate holding company as disclosed in note 24, net of cash and cash equivalent and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, [REDACTED] issues as well as new debt issues and repayment of existing debts.

For the wholly-owned subsidiaries of the Company, Altus Investments and Altus Capital, they are regulated by Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The directors of the Company monitors, on a daily basis, these subsidiaries' liquid capital level to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules. The minimum liquid capital requirements of Altus Investments and Altus Capital is HK\$3,000,000 and HK\$100,000 respectively or 5% of their own total adjusted liabilities, whichever is higher.

There is no non-compliance of the capital requirements of Altus Investments and Altus Capital imposed by the SFC during the Track Record Period.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Categories of financial instruments

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Financial assets		
Available-for-sale investments	11,367	1,335
Loans and receivables (including cash and cash equivalents)	41,280	68,816
	<u>52,647</u>	<u>70,151</u>
Financial liabilities		
At amortised cost	126,839	167,846
	<u>126,839</u>	<u>167,846</u>
Derivative financial liabilities	695	887
	<u>695</u>	<u>887</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, deposits placed in financial institution, bank balances and cash, amounts due from/(to) ultimate holding company/a director/associates/non-controlling interest, trade and other payables, secured bank borrowings and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Apart from certain subsidiaries of the Group which are operated in Japan, whose functional currency are denominated in JPY and not subjected to any currency risk, the Group has certain foreign currency operation, which expose the Group to foreign currency risk. The currency giving rise to this risk is primarily Singapore Dollar ("SGD") and JPY. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000
SGD	319	7,874	–	–
JPY	3,735	11,525	(3,240)	–

Sensitivity analysis

The Group is mainly exposed to the currency of SGD and JPY.

The following table details the Group's sensitivity to a 10% increase and decrease in HK\$ against SGD and 20% increase and decrease in HK\$ against JPY. The 10% and 20% are the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the borrower. The sensitivity analysis considered the Group's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the end of each reporting period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of each reporting period for a 10% and 20% change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where HK\$ weakening 10% and 20% against the relevant currency. For a 10% and 20% strengthen of HK\$ against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	SGD	
	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Profit or loss	27	658

	JPY	
	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Profit or loss	83	1,925

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, secured bank borrowings, derivative financial instruments and certain amount of amount due to the ultimate holding company. As at 31 March 2015 and 31 March 2016, approximately HK\$45,210,000 and HK\$61,536,000 respectively of the Group's secured bank borrowings were carried at variable rates. As at 31 March 2015 and 31 March 2016, approximately HK\$4,480,000 and HK\$4,480,000 respectively of the Group's amount due to ultimate holding company was carried at variable rates.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate secured bank borrowings (see note 27).

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The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposures and will consider hedging significant interest rate exposure should the need arise. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cashflow interest rate risk is mainly concentrated on the fluctuation of 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 interest rates for both derivative and non-derivative financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point for the Track Record Period increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. As at 31 March 2015 and 31 March 2016, if the interest rate on variable bank borrowings and amount due to ultimate holding company had been 100 basis points higher or lower and all other variables held constant, the Group's post-tax profit for the years ended 31 March 2015 and 2016 would decrease or increase by approximately HK\$415,000 and HK\$551,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its secured bank borrowings and derivatives financial instruments.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The directors of the Company manage this exposure by maintaining the investments with appropriate risk level. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

As at 31 March 2015 and 31 March 2016, if the price of the respective listed equity instruments held had been 10% higher/lower:

Investment revaluation reserve as at 31 March 2015 and 31 March 2016 would increase/decrease by approximately HK\$958,000 and HK\$65,000 respectively, as a result of the changes in fair values of available-for-sale investments.

(iv) Credit risk

At 31 March 2015 and 31 March 2016, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

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

As at 31 March 2015 and 31 March 2016, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 93% and 98% of total trade receivables respectively.

As at 31 March 2015 and 31 March 2016, the Group has concentration of credit risk on the trade receivable as 17% and 73%, respectively, of the total trade receivables was due from the largest customer within the corporate finance services segment.

As at 31 March 2015 and 31 March 2016, the Group has concentration of credit risk on the trade receivables as 27% and 73%, respectively, of the total trade receivables was due from top five largest customers within the corporate finance services segment.

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For the amounts due from associates/a director/non-controlling interests, they are continuously monitored by assessing the credit quality of respective counterparty, taking into account their financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts.

The credit risk on deposits placed in financial institution and bank balances are limited because the counterparties are banks and financial institution with high credit-ratings assigned by international credit-ratings agencies.

None of the Group's financial assets are secured by collateral or other credit enhancements.

(v) *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 management monitors the utilisation of bank borrowings.

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. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agree repayment dates.

The table included both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

At 31 March 2015	On demand or within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2015 HK\$'000
Non-derivative financial liabilities						
Trade and other payables	5,419	114	–	–	5,533	5,533
Amount due to ultimate holding company	13,413	–	–	–	13,413	13,413
Amount due to a director	195	–	–	–	195	195
Amounts due to associates	37	–	–	–	37	37
Secured bank borrowings	27,705	6,062	17,597	42,863	94,227	85,026
Secured bank borrowings – not repayable within one year from the end of the reporting period but contain a repayment on demand clause	22,635	–	–	–	22,635	22,635
	<u>69,404</u>	<u>6,176</u>	<u>17,597</u>	<u>42,863</u>	<u>136,040</u>	<u>126,839</u>
Derivatives – net settlement						
Interest rate swaps	<u>213</u>	<u>213</u>	<u>638</u>	<u>465</u>	<u>1,529</u>	<u>695</u>

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At 31 March 2016	On demand or within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2016 HK\$'000
Non-derivative financial liabilities						
Trade and other payables	7,167	73	–	–	7,240	7,240
Amount due to ultimate holding company	31,484	–	–	–	31,484	31,484
Amount due to a director	121	–	–	–	121	121
Amounts due to associates	37	–	–	–	37	37
Secured bank borrowings	45,495	6,494	18,897	45,309	116,195	107,398
Secured bank borrowings – not repayable within one year from the end of the reporting period but contain a repayment on demand clause	21,566	–	–	–	21,566	21,566
	<u>105,870</u>	<u>6,567</u>	<u>18,897</u>	<u>45,309</u>	<u>176,643</u>	<u>167,846</u>
Derivatives – net settlement						
Interest rate swaps	<u>224</u>	<u>224</u>	<u>704</u>	<u>404</u>	<u>1,556</u>	<u>887</u>

Secured bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2015 and 31 March 2016, the aggregate undiscounted principal amounts of these secured bank borrowings amounted to approximately HK\$22,635,000 and HK\$21,566,000 respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such secured bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$30,478,000 and HK\$28,745,000 respectively.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

8. FAIR VALUE MEASUREMENTS RECOGNISED IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group’s accounting policy.

	Fair value as at 31 March 2015 HK\$'000	31 March 2016 HK\$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Financial asset					
Available-for-sale investments	<u>9,576</u>	<u>650</u>	Level 1	Quoted prices in an active market	N/A
Financial liability					
Interest rate swaps	<u>695</u>	<u>887</u>	Level 2	Quoted from banks using discounted cash flows with observable forward interest rates from the market	N/A

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The fair value measurement of the interest rate swaps is based on the discounted cash flows calculated using the observable interest rates at the end of the reporting period and interest swap rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between levels of fair value hierarchy during the Track Record Period.

The directors of the Company consider that the carrying amounts of other current financial assets and liabilities recorded at amortised cost in the Financial Information approximate to their corresponding fair values due to short-term maturities. For the non-current liabilities recorded at amortised cost in the Financial Information approximate to their corresponding fair value due to the applicable interest rate are based on prevailing market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

9. REVENUE

Revenue represents revenue arising on service rendered and leasing of investment properties for the Track Record Period. An analysis of the Group's revenue for the year is as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Corporate finance services	15,377	26,806
Property investment (<i>note</i>)	19,037	21,354
	<u>34,414</u>	<u>48,160</u>

Note: An analysis of the Group's net rental income is as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Gross rental income from investment properties	19,037	21,354
Less: direct operating expenses incurred for investment properties that generated rental income during the year (included in property expenses)	<u>(6,613)</u>	<u>(6,994)</u>
Net rental income	<u>12,424</u>	<u>14,360</u>

10. SEGMENT INFORMATION

Information reported to the chief operating decision maker (the "CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance focuses on type of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- (i) Corporate finance services – provision of corporate finance services including sponsorship, financial advisory and compliance advisory services
- (ii) Property investment – leasing of investment properties for residential and commercial use

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The following is an analysis of the Group's revenue and results by reportable and operating segment.

Year ended 31 March 2015

	Corporate finance services HK\$'000	Property investment HK\$'000	Total HK\$'000
REVENUE			
External revenue and segment revenue	15,377	19,037	34,414
RESULT			
Segment profit (note)	6,851	16,628	23,479
Other income and expenses			(6,051)
Share of results of associates			3,470
Finance costs			(1,238)
Profit before tax			19,660

Year ended 31 March 2016

	Corporate finance services HK\$'000	Property investment HK\$'000	Total HK\$'000
REVENUE			
External revenue and segment revenue	26,806	21,354	48,160
RESULT			
Segment profit (note)	15,486	11,578	27,064
Other income and expenses			(7,753)
Share of results of associates			4,372
Finance costs			(1,595)
Profit before tax			22,088

Note: Included in the segment profit of the Property investment segment, approximately HK\$6,166,000 of net increase in fair value on investment properties have been included during the year ended 31 March 2015 and HK\$303,000 of net decrease in fair value on investment properties have been included during the year 2016.

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 earned by each segment without allocation of central administration costs, directors' emoluments, certain other income, share of results of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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Segment assets and liabilities

Segment assets

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Corporate finance services	1,042	2,974
Property investment	317,679	352,862
	<hr/>	<hr/>
Total segment assets	318,721	355,836
Unallocated	123,844	141,189
	<hr/>	<hr/>
Total assets	442,565	497,025
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Corporate finance services	327	2,152
Property investment	68,572	74,003
	<hr/>	<hr/>
Total segment liabilities	68,899	76,155
Unallocated	71,729	110,303
	<hr/>	<hr/>
Total liabilities	140,628	186,458
	<hr/> <hr/>	<hr/> <hr/>

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, available-for-sales investments, certain trade and other receivables, interests in associates, amounts due from associates/a director/non-controlling interests, deposits placed in financial institution, bank balances and cash and other corporate assets; and
- all liabilities are allocated to operating segments other than amounts due to ultimate holding company/a director/associates, tax payable, certain secured bank borrowings, derivative financial liabilities, deferred tax liabilities and other corporate liabilities.

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Other segment information

	Corporate finance services		Property investment		Unallocated		Total	
	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets (<i>note</i>)	-	-	102,837	18,016	280	123	103,117	18,139
Net (increase)/decrease in fair value on investment properties	-	-	(6,166)	303	-	-	(6,166)	303
Reversal of impairment allowances of trade receivables	-	(127)	(5)	(31)	-	-	(5)	(158)
Impairment loss on trade receivables	127	-	-	-	-	-	127	-
Finance costs	-	-	1,240	1,722	1,238	1,595	2,478	3,317
Depreciation for property, plant and equipment	-	-	-	-	4,175	1,664	4,175	1,664
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	-	-	-	-	(5)	(7)	(5)	(7)
Dividend income from available-for-sale investments	-	-	-	-	(658)	(8,038)	(658)	(8,038)
Gain on disposal of available-for-sale investments	-	-	-	-	(36)	(1,412)	(36)	(1,412)
Changes in fair value of derivative financial liabilities	-	-	-	-	216	512	216	512
Impairment loss on available-for-sale investments	-	-	-	-	-	4,692	-	4,692
Loss on deemed disposal of an associate	-	-	-	-	177	-	177	-
Share of results of associates	-	-	-	-	(3,470)	(4,372)	(3,470)	(4,372)
Interests in associates	-	-	-	-	25,981	29,090	25,981	29,090
Loss on disposal of an associate	-	-	-	-	-	1,066	-	1,066
Income tax expense	-	-	-	-	3,706	4,395	3,706	4,395

Note: Non-current assets excluded available-for-sale investments.

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Revenue from major services

An analysis of the Group's revenue by each category is as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Sponsorship services	6,677	17,036
Financial advisory services	5,712	6,381
Compliance advisory services	2,286	3,223
Other corporate finance services	702	166
	15,377	26,806
Rental income	19,037	21,354
	34,414	48,160

Geographic information

The Group's operations are mainly located in Hong Kong and Japan.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluding available-for-sale investments, is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Hong Kong	17,067	28,505	107,072	103,531
Japan	17,347	19,655	282,200	322,811
	34,414	48,160	389,272	426,342

During the years ended 31 March 2015 and 2016, there is no single customer contributes over 10% of the Group's total revenue.

11. OTHER INCOME

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Bank interest income	5	7
Net exchange gain	341	221
Dividend income from available-for-sale investments	658	8,038
Gain on disposal of available-for-sale investments	36	1,412
Reversal of impairment allowances of trade receivables	5	158
Administrative fee income	2,902	2,991
Marketing service income	262	230
Sundry income	24	25
	4,233	13,082

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12. FINANCE COSTS

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Interest on amount due to ultimate holding company	85	91
Interests on secured bank borrowings	2,393	3,226
	<u>2,478</u>	<u>3,317</u>

13. INCOME TAX EXPENSE

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	812	1,892
– Over-provision in respect of previous year	–	(34)
	<u>812</u>	<u>1,858</u>
Japanese Corporate Income Tax	33	40
Japanese Withholding Tax	1,029	1,307
	<u>1,874</u>	<u>3,205</u>
Deferred taxation (note 30)	1,832	1,190
	<u>3,706</u>	<u>4,395</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2015 and 2016.

Under the Japan Corporate Income Tax Law, Japanese Corporate Income Tax is calculated at 35.64%, and 33.06% of the estimated assessable profits for the years ended 31 March 2015 and 2016. However, regarding to the TK Arrangement, the applicable tax rate of those Japanese subsidiaries is 20.42% for the years ended 31 March 2015 and 2016.

Japanese Withholding Tax was calculated at 20.42% of the distributed income from Japanese subsidiaries for the years ended 31 March 2015 and 2016.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

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The income tax expense for the years ended 31 March 2015 and 2016 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 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Profit before tax	19,660	22,088
Tax at the domestic income tax rates in the respective jurisdictions	6,024	5,566
Tax effect of share of results of associates	(335)	(721)
Tax effect of expenses not deductible for tax purpose	949	2,610
Tax effect of income not taxable for tax purpose	(694)	(1,538)
Income tax on concessionary rate	(2,231)	(1,459)
Tax effect of tax losses not recognised	13	11
Over-provision in respect of previous year	–	(34)
Effect of tax exemptions granted (<i>note</i>)	(20)	(40)
Income tax expense	3,706	4,395

Details of deferred taxation are set out in note 30.

Note: A tax concession of 75%, subject to a ceiling of \$ 20,000 per company, for the Group's subsidiaries under Hong Kong jurisdiction for both years ended 31 March 2015 and 2016.

14. PROFIT FOR THE YEAR

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Profit for the year has been arrived at after charging:		
Staff cost, excluding directors' emoluments (<i>note 15a</i>):		
– Salaries, bonus and other benefits	5,252	7,046
– Contributions to retirement benefits schemes	177	220
Total staff costs excluding directors' emoluments	5,429	7,266
Auditors' remuneration	225	225
Depreciation of property, plant and equipment	4,175	1,664
Loss on deemed disposal of an associate	177	–
Loss on disposal of an associate	–	1,066
Share based payments (<i>note 38</i>)	–	357
Impairment loss on trade receivables	127	–
[REDACTED]	–	[REDACTED]

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15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable by the Group to each of the following directors of the Company are set out as follows:

Year ended 31 March 2015

	Fees HK\$'000	Salaries, bonus and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
Executive directors:				
Ip Arnold Tin Chee	–	600	16	616
Chang Sean Pey	–	1,931	11	1,942
Total emoluments	–	2,531	27	2,558

Year ended 31 March 2016

	Fees HK\$'000	Salaries, bonus and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Share- based payment HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Executive directors:					
Ip Arnold Tin Chee	–	600	18	–	618
Chang Sean Pey	–	4,220	11	235	4,466
Leung Churk Yin Jeanny (with effect from 3 March 2016) (note)	–	831	5	122	958
Total emoluments	–	5,651	34	357	6,042

Note: During the reporting period, Ms. Leung Churk Yin Jeanny served as a licensed representative and responsible officer from July 2015 onwards of Altus Capital and Altus Investments. Prior to the entering of employment with the Group on 1 January 2016, Leung Churk Yin Jeanny was remunerated through a company. She was appointed as executive Director on 3 March 2016.

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During the years ended 31 March 2015 and 2016, no director has been appointed as chief executive of the Company.

During the years ended 31 March 2015 and 2016, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year ended 31 March 2016, the ultimate holding company, KHHL, has issued share option to two of the directors of the Company. The fair value of the share option is recognised for the year ended 31 March 2016 amounted to approximately HK\$357,000 on the date of grant. Details of the share option are set out in note 38.

The emoluments of Leung Churk Yin Jeanny included the payments in respect of her services in connection with the management of the affairs of the Group.

None of the directors of the Company waived or agreed to waive any emoluments during the years ended 31 March 2015 and 2016.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, during the years ended 31 March 2015 and 2016, two and three were directors of the Company whose emoluments are included in the note 15(a) above respectively. The emoluments of the remaining three and two individuals were as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Salaries, bonus and other benefits	1,534	1,680
Contributions to retirement benefits schemes	52	35
	<u>1,586</u>	<u>1,715</u>

Their emoluments were within the following bands:

	Year ended 31 March 2015 No. of employees	Year ended 31 March 2016 No. of Employees
Nil to HK\$1,000,000	<u>3</u>	<u>2</u>

During the years ended 31 March 2015 and 2016, no emoluments were paid by the Group to the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

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16. DIVIDENDS

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Dividends recognised as distribution to ultimate holding company/ non-controlling interests during the year by:		
<u>Residence</u>		
2014 interim, paid – JPY2,303 per share (equivalent to approximately HK\$164 per share)	448	–
2015 first interim, paid – JPY1,652 per share (equivalent to approximately HK\$117 per share)	321	–
2015 second interim, paid – JPY2,450 per share (equivalent to approximately HK\$158 per share)	–	475
<u>Smart Tact</u>		
2014 interim, paid – JPY1,666 per share (equivalent to approximately HK\$133 per share)	612	–
2015 interim, paid – JPY1,605 per share (equivalent to approximately HK\$103 per share)	478	–
<u>I Corporation</u>		
2014 interim, paid – JPY120,830 per share (equivalent to approximately HK\$9,000 per share)	127	–
2015 interim, paid – JPY198,417 per share (equivalent to approximately HK\$13,000 per share)	–	182
<u>Altus Asset Management</u>		
2015 final, paid – approximately HK\$3,786 per share	–	1,060
<u>Smart Tact HK</u>		
2015 final, paid – approximately HK\$872 per share	–	4,020
	<u>1,986</u>	<u>5,737</u>

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

Subsequent to 31 March 2016, the companies within the Group has made the following dividend declarations:

On 17 May 2016, Smart Tact proposed, approved and paid JPY8,000,000 (equivalent to approximately HK\$560,000) in cash to the group company and non-controlling interest. The dividend paid per share is JPY867.68 (equivalent to approximately HK\$60.74).

On 20 May 2016, Residence proposed, approved and paid JPY4,629,000 (equivalent to approximately HK\$333,000) in cash to the ultimate holding company and non-controlling interest. The dividend paid per share is JPY1,543 (equivalent to approximately HK\$111.00).

On 1 June 2016 and 18 July 2016, Altus Investments proposed, approved and paid HK\$530,000 and HK\$2,220,000 in cash to the ultimate holding company. The dividend paid per share for 1 June 2016 and 18 July 2016 are HK\$0.11 and HK\$0.44 respectively.

On 26 August 2016, Residence has proposed and approved JPY6,849,000 (equivalent to approximately HK\$515,000) to the group company and non-controlling interest, the dividend declared per share is JPY2,283 (equivalent to approximately HK\$171.68). Up to the date of this report, the dividend declared on 26 August 2016 has not been settled.

On 26 September 2016, the Company proposed, approved and paid HK\$35,000,000 in cash to the ultimate shareholders. The dividend paid per share is HK\$35,000,000. The amount will be paid prior to the [REDACTED].

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17. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
COST				
At 1 April 2014	49,184	9,005	1,999	60,188
Additions	—	22	258	280
At 31 March 2015 and 1 April 2015	49,184	9,027	2,257	60,468
Additions	—	—	123	123
At 31 March 2016	49,184	9,027	2,380	60,591
ACCUMULATED DEPRECIATION				
At 1 April 2014	1,973	5,984	1,264	9,221
Charged for the year	984	2,758	433	4,175
At 31 March 2015 and 1 April 2015	2,957	8,742	1,697	13,396
Charged for the year	983	275	406	1,664
At 31 March 2016	3,940	9,017	2,103	15,060
CARRYING VALUES				
At 31 March 2015	46,227	285	560	47,072
At 31 March 2016	45,244	10	277	45,531

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and building	Over the shorter of term of the lease or 50 years
Leasehold improvement	Over the shorter of term of the lease or 3 years
Furniture, fixtures and equipment	33%

The Group has pledged land and building with a carrying value of approximately HK\$46,227,000 and HK\$45,244,000 to secure bank borrowings of the Group as at 31 March 2015 and 31 March 2016, respectively.

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19. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2014	233,601
Exchange realignment	(26,385)
Additions	102,837
Net increase in fair value recognised in profit or loss	<u>6,166</u>
At 31 March 2015 and 1 April 2015	316,219
Exchange realignment	17,789
Additions	18,016
Net decrease in fair value recognised in profit or loss	<u>(303)</u>
At 31 March 2016	<u><u>351,721</u></u>

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

For the investment property located in Hong Kong, the fair value of investment property at 31 March 2015 and 31 March 2016 has been arrived at on the basis of a valuation carried out by independent qualified professional valuer, Vigers Appraisal And Consulting Limited, who is the member of The Hong Kong Institution of Surveyors and has recent experience in the location and category of the investment property being valued. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. Details of the valuation techniques and assumptions are discussed below.

For the investment properties are located in Japan, the fair value of investment properties at 31 March 2015 and 31 March 2016 has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer, Colliers International Tokyo of Colliers International Group Inc., who is the member of Japan Association of Real Estate Appraisers and has recent experience in the location and category of the investment properties being valued. The valuation was arrived at by using income method – direct capitalisation approach which involves estimation of income and expenses, taking into account of expected future changes in economic and social conditions. Details of the valuation techniques and assumptions are discussed below.

There has been no change from valuation technique used during the years ended 31 March 2015 and 2016. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group has pledged investment properties with a carrying value of approximately HK\$298,788,000 and HK\$333,049,000 to secured banking facilities granted to the Group as at 31 March 2015 and 2016, respectively.

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An analysis of the Group's investment properties that are measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Level 1 to 3 based on the degree to which the inputs to fair value measurements is observable is as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	<u>–</u>	<u>60,000</u>	<u>256,219</u>	<u>316,219</u>

	Level 1	Level 2	Level 3	Fair value as at 31 March 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	<u>–</u>	<u>58,000</u>	<u>293,721</u>	<u>351,721</u>

There were no transfers between levels of fair value hierarchy during the Track Record Period.

The following table gives information about how the fair values of the investment properties as at 31 March 2015 and 2016 are determined (in particular, the valuation techniques and inputs used):

Fair value hierarchy	Fair value as at 31 March 2015 <i>HK\$'000</i>	Fair value as at 31 March 2016 <i>HK\$'000</i>	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship key inputs and significant unobservable inputs to fair value
Investment property located in Hong Kong			Market Comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available	N/A	N/A	N/A
	<u>Level 2</u>	<u>60,000</u>	<u>58,000</u>			
Investment properties located in Japan			Income method – direct capitalisation approach, by reference to capitalised income derived from exiting tenancies and the reversionary potential of the properties	– Capitalisation rate	Range from 3.4% to 6.1% (2015: 3.2% to 6.0%)	The higher the capitalisation rate, the lower the fair value
	<u>Level 3</u>	<u>256,219</u>	<u>293,721</u>			

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The reconciliation of Level 3 fair value measurements of investment properties on recurring basis is as follows:

	Total <i>HK\$’000</i>
At 1 April 2014	173,601
Exchange adjustments	(26,385)
Additions	102,837
Net increase in fair value recognised in profit or loss	6,166
At 31 March 2015 and 1 April 2015	256,219
Exchange adjustments	17,789
Additions	18,016
Net increase in fair value recognised in profit or loss	1,697
At 31 March 2016	293,721

20. INTERESTS IN ASSOCIATES

	At 31 March 2015 <i>HK\$’000</i>	At 31 March 2016 <i>HK\$’000</i>
Costs of investments in associates		
Unlisted	20,257	18,313
Share of post-acquisition profits and other comprehensive income, net of dividends received	5,724	10,777
	25,981	29,090

As at 31 March 2015 and 31 March 2016, the Group had interests in the following material associates:

Name of entity	Form of entity	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital and voting right held by the Group		Principal activities
				At 31 March 2015	At 31 March 2016	
<i>Directly held</i>						
AJ Investments Limited (“AJ Investments”) <i>(note i)</i>	Incorporated	BVI	Ordinary	12.05%	N/A <i>(note i)</i>	Investment holding
KK Tenyu Asset Management <i>(note ii)</i>	Incorporated	Japan	Ordinary	40%	40%	Asset management
Japan Regional Assets Manager Ltd <i>(note iii)</i>	Incorporated	Cayman Island	Ordinary	40%	40%	Investment holding
Japan Special Situation Investment Limited (“JSSI”)	Incorporated	BVI	Ordinary	27.03%	27.03%	Property investment
Nicewell Enterprises Limited (“Nicewell”) <i>(note v)</i>	Incorporated	BVI	Ordinary	27.02%	27.02%	Investment holding
<i>Indirectly held</i>						
KK Tenyu Property Management <i>(note ii)</i>	Incorporated	Japan	Ordinary	32%	32%	Property management
Japan Residential Assets Manager Ltd <i>(note iii)</i> (“JRAM SG”)	Incorporated	Singapore	Ordinary	40%	40%	Asset management

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Name of entity	Form of entity	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital and voting right held by the Group		Principal activities
				At 31 March 2015	At 31 March 2016	
<i>Indirectly held</i> GK Zoueki (notes i and iv)	Incorporated	Japan	Ordinary	12.05%	N/A (note iv)	Property investment
Yugen Kaisha Fugen ("YK Fugen") (note v)	Incorporated	Japan	Ordinary	27.02%	27.02%	Property investment
KK Tenyu Investment Management ("KK Tenyu Investment") (note ii and vi)	Incorporated	Japan	Ordinary	N/A	40%	Investment management business

Notes:

- (i) During the year ended 31 March 2015, one of the director of the Company, Chang Sean Pey, has further injected approximately JPY95,000,000 (equivalent to approximately HK\$6,735,000) into AJ Investments. After his capital injection, the Group's absolute shareholding in AJ Investments has been diluted from 27.97% to 12.05%. The fair value of interests retained in AJ Investments was approximate to its carrying amount. After the dilution of the interest in AJ Investments, the Group is still able to exercise significant influence over AJ Investments by its involvement in policy-making processes from the one third of voting power in AJ Investments, accordingly, it is still classified as investment in an associate as at 31 March 2015. Loss on deemed disposal of an associate of approximately HK\$177,000 has been recognised during the year ended 31 March 2015.

During the year ended 31 March 2016, the Group has fully disposed of its equity interests of 12.05% in AJ Investments to Chang Sean Pey at a cash consideration of approximately JPY20,178,000 (equivalent to approximately HK\$1,275,000). The resulted loss on disposal recognised in profit or loss is as follow:

	<i>HK\$'000</i>
<i>Consideration</i>	1,275
Less: carrying amount of AJ Investments and its subsidiary as at the date of disposal	(2,341)
Loss on disposal of an associate	<u>(1,066)</u>

- (ii) As at 31 March 2015 and 2016, the Group held 40% equity interests in KK Tenyu Asset Management which held 80% equity interests in KK Tenyu Property Management, therefore the Group effectively held 32% equity interest in KK Tenyu Property Management.

Further in July 2015, KK Tenyu Investment was incorporated and wholly-owned by KK Tenyu Asset Management, therefore, the Group effectively held 40% equity interest in KK Tenyu Investment as at 31 March 2016.

- (iii) The Group held 40% equity interest in Japan Regional Assets Manager Ltd. which held 100% equity interest in JRAM SG, therefore, the Group effectively held 40% equity interest in JRAM SG.
- (iv) The Group held 12.05% equity interest in AJ Investment as at 31 March 2015 which held 100% equity interest in GK Zoueki, therefore, the Group effectively held 12.05% equity interest in GK Zoueki as at 31 March 2015. The Group loss its indirect interest in GK Zoueki as a result of disposal of its entire interest in AJ Investment during the year ended 31 March 2016.

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- (v) The Group held 27.02% equity interest in Nicewell which held 100% equity interest in YK Fugen, therefore, the Group effectively held 27.02% equity interest in YK Fugen.
- (vi) The associate was incorporated on 31 July 2015 and wholly-owned by an associate, KK Tenyu Asset Management.
- (vii) On 1 April 2016, Japan Regional Assets Management (Hong Kong) Limited ("JRAM HK"), an associate of the Group which is owned as to 40.0% by Altus Investments was dissolved. The investment cost of the associate as at 31 March 2016 and 1 April 2016 is amounted to HK\$40 and no asset was distributed back to the Group. As a result, the loss on disposal of JRAM HK is amounted to HK\$40.

Summarised financial information of material associates

The summarised financial information in respect of each of the associates that is material to the Group and are accounted for using equity method is set out below

a) Nicewell and its subsidiary, YK Fugen ("Nicewell Group")

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Current assets	3,773	4,126
Non-current assets	37,571	41,719
Current liabilities	(1,109)	(1,505)
	<u> </u>	<u> </u>
	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Revenue	4,761	5,891
Profit for the year	2,465	2,753
Other comprehensive (expense) income for the year	(8,145)	2,654
Total comprehensive (expense) income for the year	(5,680)	5,407
Dividend received by the Group during the year	–	352
	<u> </u>	<u> </u>

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Nicewell Group recognised in the Financial Information is set out below:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Net assets of the associate	40,235	44,340
	<u> </u>	<u> </u>
Proportion of the Group's ownership interest in Nicewell Group	27.02%	27.02%
Carrying amount of the Group's interest in Nicewell Group	10,873	11,983
	<u> </u>	<u> </u>

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b) JSSI

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Current assets	3,103	3,558
Non-current assets	16,912	18,808
Current liabilities	(3,770)	(3,944)
	<u> </u>	<u> </u>
	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Revenue	2,340	1,325
Profit for the year	4,272	1,078
Other comprehensive expense for the year	(3,432)	1,099
Total comprehensive income for the year	840	2,177
Dividend received by the Group during the year	1,192	–
	<u> </u>	<u> </u>

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in JSSI recognised in the Financial Information is set out below:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Net assets of the associate	16,245	18,422
	<u> </u>	<u> </u>
Proportion of the Group's ownership interest in JSSI	27.03%	27.03%
Carrying amount of the Group's interest in JSSI	4,390	4,979
	<u> </u>	<u> </u>

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
The Group's share of profit for the year	1,649	3,335
The Group's share of other comprehensive (expense) income for the year	(953)	1,314
The Group's share of total comprehensive income for the year	696	4,649
Dividend received by the Group from other associate(s)	906	898
	<u> </u>	<u> </u>

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	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Carrying amount of the Group's interests in immaterial associates	10,718	12,128
	<u>10,718</u>	<u>12,128</u>
21. AVAILABLE-FOR-SALE INVESTMENTS		
Available-for-sale investments comprise:		
	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Listed investments (stated as fair value):		
– Equity securities listed in Hong Kong	784	–
– Equity securities listed in Singapore	8,792	650
	<u>9,576</u>	<u>650</u>
Unlisted investments (stated at cost):		
– Equity securities (<i>note</i>)	1,291	–
– Debentures	685	685
	<u>1,976</u>	<u>685</u>
Exchange realignment	(185)	–
Total	<u>11,367</u>	<u>1,335</u>

Note: The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the BVI. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 March 2016, the Group disposed of the entire unlisted equity securities to its ultimate holding company with the carrying amount of approximately HK\$1,108,000, which had been carried at cost less impairment before the disposal. The consideration of approximately HK\$1,108,000 was settled through the amount due to ultimate holding company.

As at 31 March 2016, the fair value of the equity securities listed in Singapore is lower than the cost of the equity securities and approximately HK\$4,692,000 has been impaired accordingly.

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22. TRADE AND OTHER RECEIVABLES

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Trade receivables (<i>note</i>)	995	2,760
Less: allowances for impairment of trade receivables	(178)	(21)
	817	2,739
Other receivables	2,009	9,469
	2,826	12,208

Note: As at 31 March 2016, included in trade receivables of approximately HK\$247,000 (2015: Nil) is due from JRAM, an associate of the Group.

- (a) The trade receivables are due upon the issuance of the invoices. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables net of allowance for impairment presented based on the invoice date which approximates the respective revenue recognition dates at the end of each reporting period. It also represented the ageing analysis of trade receivables which are past due but not impaired, at the end of each reporting periods.

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
– Within 30 days	725	2,736
– More than 30 but within 60 days	92	3
	817	2,739

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$817,000 and HK\$2,739,000 which are past due as at 31 March 2015 and 31 March 2016 respectively for which the Group has not provided for impairment loss.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

- (b) The movement in the allowance for impairment of trade receivables

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Balance at the beginning of the year	65	178
Impairment losses reversed	(5)	(158)
Impairment loss recognised	127	–
Exchange realignment	(9)	1
Balance at the end of the year	178	21

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Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK\$178,000 and HK\$21,000 as at 31 March 2015 and 31 March 2016 respectively due to long outstanding.

(c) The following is an analysis of other receivables at the end of the reporting period:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Deposits	128	128
Prepayments	646	532
Dividend receivable	317	7,838
Other receivables	918	971
	<u>2,009</u>	<u>9,469</u>

(d) Included in other receivables is the following amounts denominated in currencies other than the functional currency of the respective reporting entities of the Group:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
SGD	317	7,838

23. AMOUNT DUE FROM A DIRECTOR

Director's current accounts disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Chang Sean Pey	3,323	2,098
Maximum amount outstanding during the year	3,323	3,368

Amount due from a director is unsecured and non-interest bearing and repayable on demand. The amount was fully settled on 6 April 2016.

24. AMOUNTS DUE FROM (TO) ASSOCIATES/A DIRECTOR/ULTIMATE HOLDING COMPANY/ NON-CONTROLLING INTERESTS

Included in the amount due to ultimate holding company of approximately HK\$4,480,000 and HK\$4,480,000 as at 31 March 2015 and 2016, respectively, is unsecured, carried at interest rate calculated based on Hang Seng Interbank Offered Rate plus 1.75% per annum and repayable on demand. For the remaining balance of approximately HK\$8,933,000 and HK\$27,004,000, it is unsecured, interest-free and is repayable on demand.

For the amounts due from (to) associates/a director/non-controlling interests, they are unsecured, interest-free and repayable on demand. The amount due to a director was fully settled on 18 April 2016.

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Included in amount due from associates is the following amount denominated in currencies other than the functional currency of the respective reporting entities of the Group:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
JPY	1,154	1,228

25. DEPOSITS PLACED IN FINANCIAL INSTITUTION/BANK BALANCES AND CASH

At 31 March 2015 and 2016, the deposits placed in financial institution and bank balances carried at market interest rate which ranged from 0.01% to 0.06% per annum.

Included in deposits placed in financial institution and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the respective reporting entities of the Group:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
JPY	2,581	10,297
SGD	2	36

26. TRADE AND OTHER PAYABLES

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Trade payables	75	93
Other payables	6,590	8,510
	6,665	8,603
Analysed for reporting purpose:		
Current portion	6,551	8,530
Non-current portion	114	73
	6,665	8,603

The trade payables are due upon the receipt of the invoices. All trade payables are aged within 30 days which based on the invoice date at the end of each reporting period. The Group has financial risk management policies in place to ensure evaluating that all payables are settled within the credit timeframe.

As at 31 March 2016, included in other payables of approximately HK\$91,000 (2014: HK\$90,000) is interest payable to ultimate holding company in relation to the amount due to ultimate holding company as disclosed in note 24.

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27. SECURED BANK BORROWINGS

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
On demand	22,635	21,566
Within one year	27,329	45,128
After one year but within two years	4,812	5,220
After two year but within five years	14,440	15,667
After five years	38,445	41,383
	<u>107,661</u>	<u>128,964</u>
Carrying amount of bank loans that are not repayable on demand or within one year from the end of the reporting period but:		
– Contain a repayment on demand clause	22,635	21,566
Carrying amount repayable within one year	<u>27,329</u>	<u>45,128</u>
Amounts shown under current liabilities	49,964	66,694
Amounts shown under non-current liabilities	<u>57,697</u>	<u>62,270</u>
	<u>107,661</u>	<u>128,964</u>
The exposure of the Group's secured bank borrowings to interest rate risk is as follows:		
Fixed-rate borrowings	62,451	67,428
Variable-rate borrowings	<u>45,210</u>	<u>61,536</u>
	<u>107,661</u>	<u>128,964</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's secured bank borrowings are as follows:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Effective interest rate:		
Fixed-rate borrowings	1.61% to 3.35%	1.37% to 3.35%
Variable-rate borrowings	<u>1.99% to 3.22%</u>	<u>1.99% to 3.27%</u>

The Group has variable-rate borrowings which carry interest at HIBOR. Interest is reset regularly.

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Included in secured bank borrowings is the following amount denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
JPY	3,240	–

As at the end of each reporting period, the Group has the following undrawn borrowing facilities:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Floating rate	49,460	12,100

During the years ended 31 March 2015 and 2016, the Group obtained new loans in the amount of approximately HK\$62,615,000 and HK\$51,936,000 respectively and will be repayable ranged from 2016 to 2025. The [REDACTED] were used for general working capital purpose and to finance the acquisition of investment properties.

As at 31 March 2015 and 31 March 2016, the bank borrowings are secured by the land and building and certain investment properties of the Group as disclosed in notes 18 and 19 respectively.

A director of the Company and an associate of the Group have provided guarantees to certain banks in respect of the bank borrowings granted to the Group as at 31 March 2015 and 31 March 2016. The personal guarantee from the director will be released upon the [REDACTED] of shares on [REDACTED] of [REDACTED].

28. DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 March 2015 Liabilities HK\$'000	At 31 March 2016 Liabilities HK\$'000
Interest rate swaps	695	887

Interest rate swaps forms a part of arrangement of the variable-rate bank borrowings entered into between the Group and borrowing banks in Japan.

Major terms of the interest rate swaps are as follows:

31 March 2016

Notional amount	Maturity	Swaps From	To
JPY 89,250,000 (equivalent to approximately HK\$6,149,000)	30/9/2024	TIBOR + 1.40%	2.79%
JPY 165,000,000 (equivalent to approximately HK\$11,368,000)	30/9/2021	TIBOR + 1.60%	3.48%
JPY 190,000,000 (equivalent to approximately HK\$13,091,000)	30/9/2025	TIBOR + 1.20%	2.42%

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31 March 2015

Notional amount	Maturity	Swaps From	To
JPY 99,750,000 (equivalent to approximately HK\$6,464,000)	30/9/2024	TIBOR + 1.40%	2.79%
JPY 120,250,000 (equivalent to approximately HK\$7,792,000)	30/9/2021	TIBOR + 1.60%	3.46%
JPY 195,000,000 (equivalent to approximately HK\$12,636,000)	30/9/2021	TIBOR + 1.60%	3.48%

Details of the fair value measurement are set out in note 7.

29. PROVISION FOR LONG SERVICE PAYMENT

The Group makes provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees.

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the years ended 31 March 2015 and 2016:

	Accelerated tax depreciation HK\$'000	Revaluation of investment properties HK\$'000	Undistributable profits of subsidiaries HK\$'000	Total HK\$'000
At 1 April 2014	191	9,122	242	9,555
Charged to profit or loss for the year (note 13)	47	1,113	672	1,832
Exchange realignment	–	(1,292)	(35)	(1,327)
At 31 March 2015 and 1 April 2015	238	8,943	879	10,060
Charged to profit or loss for the year (note 13)	42	346	802	1,190
Exchange realignment	–	2,441	(1,820)	621
At 31 March 2016	280	11,730	(139)	11,871

At 31 March 2015 and 31 March 2016, the Group has unused estimated tax losses of approximately HK\$765,000 and HK\$833,000 respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams, such losses may be carried forward indefinitely.

31. SHARE CAPITAL

The Company was incorporated on 11 November 2015 and had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one share was allotted and issued at nil-paid to the initial subscriber and then the initial subscriber transferred the share to KHHL at nil consideration on the same date.

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Details of the share capital of the Company are as follows:

	Number of shares	Amount HK\$	Shown in the Financial Information HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 11 November 2015 (date of incorporation) and 31 March 2016	38,000,000	380,000	
Issued and allotted:			
At 11 November 2015 (date of incorporation) and 31 March 2016	1	0.01	–

The Group

For the purpose of presenting the share capital of the Group prior to the completion of the Reorganisation in the combined statements of financial position, the share capital presented in the combined statements of financial position as at 31 March 2015 represented the combined share capital of Altus Investments, Galaxy Base, Smart Tact, Smart Tact HK, Residence and GK Choun.

During the year ended 31 March 2016, i) Smart Tact HK has been deregistered and the share capital of approximately HK\$39,695,000 has been returned to the shareholders of the Group and non-controlling interest of approximately HK\$34,864,000 and HK\$4,831,000 respectively. ii) Smart Tact has issued and allotted 4,610 ordinary shares of HK\$1 each to its shareholders (KHHL and non-controlling interests) for the total consideration of approximately HK\$21,003,000 and the share capital of Smart Tact held by the Group was increased from approximately HK\$4,000 to approximately HK\$8,000. iii) Altus Investments issued 3 ordinary shares at a consideration of HK\$23,162,000, HK\$15,250,000, and HK\$3,283,000 respectively to acquire the equity interest in Smart Tact, Residence, and Galaxy Base from KHHL respectively. Together with the incorporation of the Company on 11 November 2015, the share capital presented in the combined statements of financial position as at 31 March 2016 represented the combined share capital of the Company, Altus Investments and GK Choun.

On 8 April 2016, Altus Investments issued 1 ordinary share at a consideration of approximately HK\$71,979,000 to acquire the equity interest in GK Choun.

On 23 September 2016, Altus Investments has capitalised the amount due to KHHL with approximately HK\$27,004,000 as share capital and allot 999,996 ordinary shares to KHHL.

32. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year ended 31 March 2015, the Group has the following changes in its ownership interest in a subsidiary that do not result in a loss of control.

Acquisition of addition interest in a subsidiary

On 6 February 2015, the Group acquired an addition 0.17% issued shares of Residence, increasing its ownership interest to 77.57%. Cash consideration of JPY500,000 (equivalent to approximately HK\$32,000) was paid to the non-controlling shareholder. A schedule of the effect of acquisition of additional interest is as follow:

	HK\$'000
Consideration paid for acquisition of additional interest in Residence	32
Carrying amount of non-controlling interest acquired	(31)
	<hr/>
Difference recognised in other reserves within equity	1
	<hr/>

APPENDIX I

ACCOUNTANTS' REPORT

33. OPERATING LEASE COMMITMENTS

The Group as lessor

During the years ended 31 March 2015 and 2016, the properties held for rental purpose by the Group are expected to generate rental yields of 3.3% and 3.3% respectively, on an ongoing basis. All of the properties held have committed tenants for the next one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	At 31 March 2015 HK\$'000	At 31 March 2016 HK\$'000
Within one year	3,002	3,448
In the second to fifth year inclusive	270	292
	<u>3,272</u>	<u>3,740</u>

34. MAJOR NON-CASH TRANSACTIONS

The Group has major non-cash transactions as follows:

- (a) During the year ended 31 March 2016, upon the deregistration of Smart Tact HK, share capital of approximately HK\$39,695,000 divided into HK\$34,864,000 and HK\$4,831,000 had been returned to KHHL and non-controlling interests respectively; and approximately HK\$4,020,000 of retained profits with approximately HK\$3,531,000 and HK\$489,000 had been distributed to KHHL and non-controlling interests respectively. The total amounts of return of capital and retained profit distributions belong to KHHL and non-controlling interests was HK\$38,395,000 and HK\$5,320,000, respectively, have been settled through the amount due to the ultimate holding company and amounts due from non-controlling interests respectively.
- (b) During the year ended 31 March 2016, Smart Tact, a subsidiary of the Group, has issued and allotted 4,610 ordinary shares of HK\$1 each to its shareholders (including KHHL and non-controlling interests) for the total consideration of approximately HK\$21,003,000. Amount of approximately HK\$2,556,000 and HK\$18,447,000 have been settled through the amounts due from non-controlling interests and amount due to ultimate holding company respectively.
- (c) During the year ended 31 March 2016, the Group disposed of certain unlisted equity securities with the carrying amount of approximately HK\$1,108,000, which had been carried at cost less impairment before the disposal, to the ultimate holding company. The consideration was settled through the amount due to ultimate holding company.
- (d) On 4 March 2016, call option deeds have been entered into between KHHL and the directors of the Company, Sean Pey Chang and Leung Churk Yin Jeanny. The deeds entitled Chang Sean Pey and Leung Churk Yin Jeanny to purchase from KHHL up to [REDACTED] shares and up to [REDACTED] shares of the Company held by KHHL ("Option Share") respectively, at the exercise price of HK\$[REDACTED] per Option Share. The call options are exercisable during the period from 30 September 2017 to 30 September 2019 in accordance with the call option deeds. During the year ended 31 March 2016, amount of approximately HK\$[REDACTED] had been recognised as staff cost in the profit or loss, and the corresponding shareholder's contribution had been recognised in equity. Principal terms of the relevant call options are set out headed "Grant of Call Option by KHHL to Mr. Cheng and Ms. Leung" in the section headed "Directors, Senior Management, and Employees" of the Document.
- (e) During the year ended 31 March 2016, Altus Investments issued 3 ordinary shares at a consideration of HK\$23,162,000, HK\$15,250,000, and HK\$3,283,000 respectively to acquire the equity interests in Smart Tact, Residence, and Galaxy Base from KHHL respectively.

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ACCOUNTANTS' REPORT

35. RETIREMENT BENEFITS PLAN

Hong Kong

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$25,000. From 1 June 2014, the cap is revised to monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The total cost charged to profit or loss of approximately HK\$204,000 and HK\$254,000 for the years ended 31 March 2015 and 2016, respectively, represents contributions payable to this scheme by the Group.

36. RELATED PARTY TRANSACTIONS

(a) Transactions

Except disclosed elsewhere in the Financial Information, during the years ended 31 March 2015 and 2016, the Group entered into the following transactions with related parties:

Name of the related party	Relationship	Nature of transactions	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
KK Tenyu Asset Management	Associate	Introductory fee income received (included in revenue)	609	–
		Marketing service income received (included in other income)	262	230
		Consultancy fee paid	(979)	–
		Asset management fee paid	(148)	(168)
		Guarantee fee paid	(150)	(141)
JSSI	Associate	Accounting fee income received (included in other income)	24	24
Japan Residential Assets Manager Ltd	Associate	Administrative fee income received	2,902	2,991
KHHL	Ultimate holding company	Interest paid	(85)	(91)
			<u> </u>	<u> </u>

The above transactions were carried out at terms determined and agreed between the Group and the relevant parties.

APPENDIX I

ACCOUNTANTS' REPORT

(b) Compensation of key management personnel

The remuneration of directors of the Company, being the key management during the years ended 31 March 2015 and 2016 was as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000
Short-term benefits	2,531	5,651
Share based payments	–	357
Post-employment benefits	27	34
	<u>2,558</u>	<u>6,042</u>

37. STATEMENT OF CHANGES OF EQUITY OF THE COMPANY

	Shareholder contribution HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 11 November 2015 (date of incorporation)	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the period and total comprehensive expense for the period	–	(357)	(357)
Contribution from shareholder	<u>357</u>	<u>–</u>	<u>357</u>
At 31 March 2016	<u>357</u>	<u>(357)</u>	<u>–</u>

38. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

(a) Share Option scheme

On 4 March 2016, KHHL entered into the option deeds ("Option Deeds") with each of Chang Sean Pey and Leung Churk Yin Jeanny, respectively as the grantees ("Grantees"). Pursuant to the Option Deeds, in consideration of HK\$1.00 paid by each Grantee, KHHL granted share options to the Grantees. The exercise of these shares options would entitle the Grantees to purchase the Company's share in aggregate of [REDACTED] shares held by KHHL. The share option is valid for 42 months after the [REDACTED] of the Company. According to the Option Deeds, one-third of the shares option may be exercisable after 12 months from the date of [REDACTED]; another one-third may be exercisable after 24 months of date of [REDACTED]; and remaining may be exercisable after 36 months of date of [REDACTED].

APPENDIX I

ACCOUNTANTS' REPORT

Details of specific categories of the share options are as followed:

Date of grant	Number of instruments as at 31 March 2016	Vesting period	Contractual life of options	Exercise price
4 March 2016	[REDACTED]	12 months after [REDACTED]	42 months	[REDACTED]
4 March 2016	[REDACTED]	24 months after [REDACTED]	42 months	[REDACTED]
4 March 2016	[REDACTED]	36 months after [REDACTED]	42 months	[REDACTED]
	<u>[REDACTED]</u>			

The estimated fair value of the options granted on the grant date is approximately HK\$[REDACTED]. During the year ended 31 March 2016, the Group recognises the total expense of approximately HK\$[REDACTED] (2015: nil) in relation to share options granted by KHHL. As at 31 March 2016, the number of exercisable share option is nil.

(b) The fair value was calculated using the Binomial model. The inputs into the model were as follow:

	4 March 2016
	HK\$
Weighted average share price at grant date	HK\$[REDACTED]
Exercise price	[REDACTED]
Expected terms	42 months
Expected volatility	60.88%
Risk-free rate	0.99%
Expected dividend yield	2.00%

Expected volatility was determined with reference to the historical volatility of the Group's comparable companies.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

APPENDIX I

ACCOUNTANTS' REPORT

B. EVENTS AFTER THE END OF THE REPORTING PERIOD

i. Reorganisation

The Group comprising the Company and its subsidiaries underwent a reorganisation to rationalise the Group's structure in preparation for the [REDACTED] of the Company's shares on the Growth Market Enterprise of [REDACTED]. Details of the Reorganisation are set out in the section headed "History, Reorganisation and corporate structure" in the Document. As a result of the Reorganisation, the Company became the holding company of the Group on 26 September 2016.

ii. Share option scheme

Pursuant to shareholders' written resolution passed on 26 September 2016, a share option scheme has been conditionally adopted by the Company (the "Share Option Scheme"). The principle terms of the Share Option Scheme are summarised in "Statutory and general information – D. Share Option Scheme" in Appendix VI to the Document. No share option has been granted under the Share Option Scheme up to the date of this report.

iii. Dividend

Subsequent to the end of the reporting period, certain subsidiaries of the Group have declared dividend to the shareholders. Details of the dividend declaration were set out in note 16 in the Appendix I to the Document.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies now comprising the Group in respect of any period subsequent to the year ended 31 March 2016.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Hon Kei, Anthony

Practising Certificate Number: P05591

Hong Kong

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL STATEMENT

The information set forth in this appendix does not form part of the Accountants' Report prepared by SHINEWING HK (CPA) Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this document and the Accountants' Report set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted combined net tangible assets of the Group (the "Pro Forma Financial Information") prepared in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is for illustrative purpose only, and is set out below to illustrate the effect of the [REDACTED] on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 as if the [REDACTED] had taken place on 31 March 2016.

The Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the audited combined net tangible assets of the Group as at 31 March 2016 or at any further dates following the [REDACTED]. It is prepared based on the audited combined net tangible assets attributable to owners of the Company as at 31 March 2016 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets attributable to the owners of the Company as at 31 March 2016 HK\$'000 (Note 1)	Estimated [REDACTED] from the [REDACTED] HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of attributable to the owners of the Company as at 31 March 2016 HK\$'000 (Note 3)	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share as at 31 March 2016 HK\$ (Note 4)
Based on the [REDACTED] of [REDACTED] per [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on the [REDACTED] of [REDACTED] per [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL STATEMENT

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 has been derived from the audited combined net tangible assets of the Group attributable to the owners of the Company of approximately HK\$299,512,000 as at 31 March 2016 extracted from the Accountants' Report as set out in Appendix I to this document.
2. The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] at the respective low and high end [REDACTED] range from [REDACTED] per [REDACTED] to [REDACTED] per [REDACTED], after deducting the [REDACTED] fees and other related expenses payable by the Company in relation to the [REDACTED]. The estimated [REDACTED] do not take into account any shares that may be granted under the Share Option Scheme as described in "Statutory and general information – D. Share Option Scheme" in Appendix VI to this document.
3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustment for the estimated [REDACTED] from the [REDACTED] as described in note 2 and on the basis that a total of [REDACTED] Shares were in issue as at 31 March 2016 (including Shares in issue as at the date of this document and those Shares are expected to be issued pursuant to the [REDACTED] but not taking into account any Shares which may be granted under the Share Option Scheme as described in "Statutory and general information – D. Share Option Scheme" in Appendix VI to this document).
4. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2016.
5. The unaudited pro forma combined net tangible assets and unaudited pro forma adjusted combined net tangible asset per Share do not taken into the following accounts: i) the dividend declared for payment amounting to approximately HK\$[REDACTED]. As of report date, HK\$[REDACTED] has been settled and the remaining amount of approximately HK\$[REDACTED] shall be settled prior to the [REDACTED]; ii) the amount due to ultimate holding company, KHHL, approximately HK\$[REDACTED] has been capitalised on 23 September 2016. The unaudited pro forma adjusted combined net tangible asset per Share would have been reduced to HK\$[REDACTED] and HK\$[REDACTED] per Share based on the minimum and maximum [REDACTED] of [REDACTED] and [REDACTED] per Share, respectively, after taking into accounts the payment of the dividend in the sum of HK\$[REDACTED] and capitalisation of approximately HK\$[REDACTED].

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL STATEMENT

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL STATEMENT

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL STATEMENT

[REDACTED]

APPENDIX III

HONG KONG PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from Vigers Appraisal And Consulting Limited, an independent valuer, in connection with their valuations of the properties as at 31 July 2016.

Vigers Appraisal And Consulting Limited

International Asset Appraisal Consultants

10th Floor, The Grande Building

398 Kwun Tong Road

Kowloon

Hong Kong



[REDACTED]

The Board of Directors

Altus Holdings Limited

No. 21 Wing Wo Street

Hong Kong

Dear Sirs,

RE : VALUATION OF VARIOUS PROPERTIES IN HONG KONG

In accordance with your instructions for us to value the property interests owned by Altus Holdings Limited (the “**Company**”) and its subsidiary (hereinafter together referred to as the “**Group**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 31 July 2016 (“**the date of valuation**”).

Our valuations are our opinion of market value of the properties which is defined as intended to mean “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sold the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which might serve to increase the values of the properties.

In valuing Group I – the property interest held by the Group for investment, we have adopted the investment approach as well as the comparison approach. The investment approach capitalises the rent receivable from the existing tenancy and the potential reversionary market rent of the property interest taking into account the market rental comparables in the open market and the comparison approach makes reference to comparable transactions in the market.

APPENDIX III

HONG KONG PROPERTY VALUATION

In valuing Group II – the property interest held by the Group for their own occupation, we have adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property.

We have conducted land searches at the Land Registry but we have not scrutinised the original documents to ascertain ownership nor to verify any lease amendments which might not appear on the copies handed to us. In any events, we reserve the right to revise our valuations should there be any information disclosed which is in contravention to the information provided to us.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as tenure, areas, occupation, tenancies, statutory notice, easements and other relevant matters. All documents have been used as reference purposes only. All dimensions, measurements and areas are approximate.

We have inspected the exterior and, where possible, the interior of the properties but we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether the properties were free from any structural or non-structural defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash or any other deleterious material has been used in the construction of these properties and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of these valuations, we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

Inspection of the properties were carried out by Mr. Gilbert K. M. Yuen and Ms. Tina C. P. Kong in February 2016. Mr. Gilbert K M Yuen is a registered professional surveyor with ample experience in valuation of properties in Hong Kong. Ms. Tina C.P. Kong possesses MSc degree in Real Estate and has about 20 years' experience in valuation of properties in Hong Kong.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties are free from any encumbrances, restrictions and outgoings of an onerous nature which could serve to affect the values of the properties. According to the "The HKIS Valuation Standards on Properties", it states that "when assessing the Market Value of a Property, any encumbrances such as mortgage, debenture, charged against it should be disregarded".

APPENDIX III

HONG KONG PROPERTY VALUATION

Our valuations have been prepared in accordance with “The HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors and Chapter 8 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (GEM Board).

We enclose herewith the summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED
Gilbert K. M. Yuen
MRICS MHKIS RPS(GP)
Executive Director

Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 25 years’ valuation experience on properties in Hong Kong.

APPENDIX III

HONG KONG PROPERTY VALUATION

SUMMARY OF VALUATION**Group I – Property interest held by the Group for investment in Hong Kong**

Property	Market value as at 31 July 2016
1. 8th Floor of Nos. 8-10 Duddell Street and No. 20 Ice House Street, Hong Kong	HK\$58,000,000

Group II – Property interest held by the Group for their own occupation in Hong Kong

Property	Market value as at 31 July 2016
2. No. 21 Wing Wo Street, Hong Kong	HK\$62,000,000
	<hr/> HK\$120,000,000 <hr/>

APPENDIX III

HONG KONG PROPERTY VALUATION

VALUATION CERTIFICATES

Group I – Property interest held by the Group for investment in Hong Kong

Property	Description and tenure	Particular of occupancy	Market value as at 31 July 2016
1. 8th Floor of Nos. 8-10 Duddell Street and No. 20 Ice House Street, Hong Kong	The property comprises the whole of 8th floor of a 25-storey (excluding basement) office building with car parking spaces on ground floor. The subject building was completed in 1981.	As at the date of valuation, the property has been leased for a term of 1 year expiring on 31 May 2017 at a monthly rental of HK\$145,750 exclusive of rates, management fee and all other outgoings.	HK\$58,000,000
The property comprises 8/220th shares of and in the Remaining Portion of Section C of Inland Lot No. 339.	The property has a saleable area of approximately 2,267 sq.ft. (approximately 210.61 sq.m.). The property is held under Government Lease for a term of 999 years commencing from 11 May 1849. The government rent is HK\$78 per annum for the subject lot.		

Notes:

- Pursuant to the land search record, the registered owner is Starich Resources Limited.
- Pursuant to the land search record, the property is subject to a Mortgage in favour of Chong Hing Bank Limited to secure all moneys in respect of general banking facilities vide Memorial No. 10081301090041 dated 29 July 2010.
- Pursuant to the land search record, the property is subject to an Assignment of Rentals in favour of Chong Hing Bank Limited vide Memorial No. 12041301560015 dated 22 March 2012.
- The property is zoned "Commercial" under Central District Outline Zoning Plan No. S/H4/15 dated 11 December 2015.
- The property is located on the south-eastern side of Duddell Street in the Central District of Hong Kong Island. The locality is characterised with numbers of high-rise commercial buildings. It is well served by various public transport facilities including Central MTR station.
- We have capitalised the net passing rent as well as the reversionary market rent at about 3% in our valuation. We have counter-checked the valuation with comparable properties in the market and have made reference to four office transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as floor level, age and quality of the building, size and date of transactions etc. The adjusted unit rate of the comparables are in the range of HK\$25,000 and HK\$27,000 per sq.ft. and our valuation of the property falls within this range.

APPENDIX III

HONG KONG PROPERTY VALUATION

Group II – Property interest held by the Group for their own occupation in Hong Kong

Property	Description and tenure	Particular of occupancy	Market value as at 31 July 2016										
2. No. 21 Wing Wo Street, Hong Kong	The property is a 6-storey office building with shop on ground floor and office units above. The building was completed in 1977.	As at the date of valuation, the property was owner-occupied.	HK\$62,000,000										
The property comprises the whole of and in the Remaining Portion of Sub-section 3 of Section C of Marine Lot No. 63A.	According to the building plans obtained from the Buildings Department, the property has a total gross floor area of approximately 4,513 sq.ft. (419.27 sq.m.) and its breakdown areas are as follows:		(The acquisition cost including transaction costs in 2012 was HK\$49,184,121.6 and the total costs expended on the property since acquisition was HK\$57,282,218.6)										
	<table><tr><th>Floor</th><th>Area (sq.ft.)</th></tr><tr><td>G/F</td><td>687</td></tr><tr><td>M/F</td><td>605</td></tr><tr><td>1/F – 5/F</td><td>3,221</td></tr><tr><td>Total</td><td>4,513</td></tr></table>	Floor	Area (sq.ft.)	G/F	687	M/F	605	1/F – 5/F	3,221	Total	4,513		
Floor	Area (sq.ft.)												
G/F	687												
M/F	605												
1/F – 5/F	3,221												
Total	4,513												
	The property is held under Government Lease for a term of 981 years commencing from 26 December 1861. The government rent is HK\$18 per annum for the subject lot.												

Notes:

- Pursuant to the land search record, the registered owner is Galaxy Base Limited, a wholly-owned subsidiary of the Group
- Pursuant to the land search record, the property is subject to a Mortgage in favour of Hang Seng Bank Limited to secure all moneys in respect of general banking facilities vide Memorial No. 14032601370015 dated 10 March 2014.
- The property is zoned "Commercial" under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/29 dated 10 September 2013.
- The property is located on the eastern side of Wing Wo Street opposite to Grand Millennium Plaza in Sheung Wan District of Hong Kong Island. The locality, which is subject of vigorous conversions in the last couple of decades, is characterised with numbers of small to medium scaled commercial buildings. Grand Millennium Plaza is, however, a large scale development in the area. The locality is well served by various public transport facilities including Sheung Wan MTR station.
- The valuation is made up of two parts: firstly, ground and mezzanine floors and secondly the upper office floors. In valuing the ground and mezzanine floors, we have made reference to three comparable properties which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property like location, size, frontage and date of transactions. The adjusted unit rate of the comparables are in the range of HK\$51,000 and HK\$56,000 per sq.ft. and our valuation of the property falls within this range.

In valuing the upper office floors, we have made reference to five comparable properties which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property like floor level, size, age and quality of the building, and date of transactions. The adjusted unit rate of the comparables are in the range of HK\$8,500 and HK\$12,600 per sq.ft. and our valuation of the property falls within this range.

APPENDIX IV

JAPAN PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this document received from Colliers International Tokyo, an independent valuer, in connection with its valuations of the Properties as at 31 July, 2016.

7th Floor, Halifax Building
3-16-26 Roppongi
Minato-ku
Tokyo 106-0032
Japan



[REDACTED]

The Board of Directors
Altus Holdings Limited
21 Wing Wo Street
Central, Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Altus Holdings Limited (hereinafter referred to as the “**Company**”) for us to value the Properties located in Japan. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 31 July, 2016 (the “**date of valuation**”).

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

VALUATION RATIONALE

We have valued the Properties by Discounted Cash Flow Approach with reference to both Direct Capitalization Approach which are leased by the tenants, due either to the short-term nature of the leases or sub-letting or otherwise due to substantial profit rents, and Market Approach (Sales Comparison Approach) with due allowances for the differences between the comparables and the Properties.

For the Discounted Cash Flow Approach, the discount rate was derived by adding risk premiums specific to the subject to the base rate obtained from yields of financial instruments such as bonds. In the assignment, the real estate risk will be added to the 10 year Japanese Government Bond (JGB) yield to assess the base rate, and further risk premiums specific to the subject will be added to assess the discount rate.

APPENDIX IV

JAPAN PROPERTY VALUATION

The terminal capitalisation rates were estimated by combining (i) the respective capitalisation rate as at the date of valuation (being derived from the average capitalisation rate of comparable properties after adjusting for mainly property-specific factors such as age, quality and neighbourhood of the building and the general market expectation in the surrounding area); (ii) the term risk (being future risk such as the change in the neighborhood and the building age); (iii) the spread between the net cash flow of the appraised Properties applied in the direct method and that estimated for year 11; and (iv) the expected change in the net cash flows after year 11.

The Comparison Approach is performed by adjusting the transacted prices of comparables for circumstance, time difference, standardisation, regional factors and other individual factors. The values were derived from three reliable examples and the comparison process has been checked and determined appropriate. The comparison of each factor was performed by comparing the features of the subject property with those of the comparables in terms of location, building specifications, combined condition of land and building, and leasing condition, etc.

TITLE INVESTIGATION

We have been provided with copies of tenancy agreements and have been advised by the Company that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the Properties are sold in the market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the Properties. In addition, no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have inspected the exterior and where possible, the interior of the Properties. Inspection of the Property was carried out in July of 2016 by Mr. Yoshinori Nagai and Yutaka Watanabe, who is a licensed appraiser and a member of the Japanese Association of Real Estate Appraisers. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the Properties. We are, therefore, unable to report that the Properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identification of the Properties and other relevant information.

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We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company and we have relied on the Company's confirmation that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties or for any expenses 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.

Our valuation has been prepared in accordance with the Japanese Real Estate Appraisal Standards (Revised on November 2015) published by Ministry of Land, Infrastructure, Transport and Tourism.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$). The exchange rate used in valuing the property in Japan was approximately that of the closing exchange rates as at 31 July 2016 was JPY1 = HK\$0.076. No allowances have been made for any exchange transfer.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
Colliers International Tokyo

Yoshinori Nagai
Licensed Real Estate Appraiser, MRICS
Senior Project Consultant

Yutaka Watanabe
Licensed Real Estate Appraiser
Project Consultant

Note:

Yoshinori Nagai is a member of Japanese Association of Real Estate Appraisers who has over 13 years' experience in the valuations of properties in Japan.

Yutaka Watanabe is a member of Japanese Association of Real Estate Appraisers who has over 10 years' experience in the valuations of properties in Japan.

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SUMMARY OF VALUES

**Capital Value
in existing state as at
31 July, 2016**

Properties held by the Company in Japan

No. Property

1	Lot No. 31, Hiragishi 2jo 7-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture (<i>Ark Palace Hiragishi</i>)	JPY381,000,000 (equivalent to HK\$28,956,000)
2	Lot No. 2-19, Kita 1jo Nishi 19-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture (<i>LC One</i>)	JPY133,000,000 (equivalent to HK\$10,108,000)
3	Lot No. 3, Hiragishi 3jo 4-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture (<i>Libress Hiragashi</i>)	JPY162,000,000 (equivalent to HK\$12,312,000)
4	Lot No. 533-14 and other lot, Minami 9jo Nishi 8-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture (<i>Nouvelle 98</i>)	JPY219,000,000 (equivalent to HK\$16,644,000)
5	Lot No. 1-2 and other lots, Minami 1jo Nishi 18-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture (<i>South 1 West 18 Building</i>)	JPY254,000,000 (equivalent to HK\$19,304,000)
6	Lot No. 614-16 and other lot, Kotoni 3jo 3-chome, Nishi-ku, Sapporo City, Hokkaido Prefecture (<i>T House</i>)	JPY137,000,000 (equivalent to HK\$10,412,000)
7	Lot No. 44, Hiragishi 3jo 12-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture (<i>Tommy House Hiragishi</i>)	JPY152,000,000 (equivalent to HK\$11,552,000)
8	Lot No. 18-316 and other lot, Kita 23jo Nishi 5-chome, Kita-ku, Sapporo City, Hokkaido Prefecture (<i>White Building A&B</i>)	JPY215,000,000 (equivalent to HK\$16,340,000)

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9	Lot No. 46-1 and other lots, Suginamicho, Hakodate City, Hokkaido Prefecture (<i>City Court Suginami</i>)	JPY220,000,000 (equivalent to HK\$16,720,000)
10	Lot No. 6-18 and other lot, Minamiazabu 1-chome, Minato-ku, Tokyo (<i>Azabu Sendaizaka Hills</i>)	JPY1,310,000,000 (equivalent to HK\$99,560,000)
11	Lot No. 2-12, Azabujuban 2-chome, Minato-ku, Tokyo (<i>Azabu Juban Crown Building</i>)	JPY254,000,000 (equivalent to HK\$19,304,000)
12	Lot No. 563, Nishijin 5-chome, Sawara-ku, Fukuoka City, Fukuoka Prefecture (<i>Residence Motoki</i>)	JPY271,000,000 (equivalent to HK\$20,596,000)
13	Lot No. 55-2 and other lot, Fujisaki 1-chome, Sawara-ku, Fukuoka City, Fukuoka Prefecture (<i>Wealth Fujisaki</i>)	JPY171,000,000 (equivalent to HK\$12,996,000)
14	Lot No. 2-2 and other lots, Chuogai, Chuo-ku, Kumamoto City, Kumamoto Prefecture (<i>Rise Shimodori EXE</i>)	JPY401,000,000 (equivalent to HK\$30,476,000)
		JPY4,280,000,000 (equivalent to
Total:		HK\$325,280,000)

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VALUATION CERTIFICATE

Property Interests held by the Company in Japan

			Particulars of occupancy	Capital Value in existing state as at 31 July, 2016																														
No.	Property	Description and Tenure																																
1	Lot No. 31, Hiragishi 2jo 7-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture	<p>Ark Palace Hiragishi comprises a 9-storey high-rise senior apartment cum office/retail building completed in December 1984.</p> <p>The property comprises one lot with a total registered site area of 557.08 sq m (or about 168.52 tsubo, or 5,996 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>312.05</td><td>94.40</td></tr><tr><td>2nd</td><td>143.47</td><td>43.40</td></tr><tr><td>3rd</td><td>127.01</td><td>38.42</td></tr><tr><td>4th</td><td>127.00</td><td>38.42</td></tr><tr><td>5th</td><td>127.00</td><td>38.42</td></tr><tr><td>6th</td><td>127.00</td><td>38.42</td></tr><tr><td>7th</td><td>127.04</td><td>38.43</td></tr><tr><td>8th</td><td>127.04</td><td>38.43</td></tr><tr><td>9th</td><td>127.04</td><td>38.43</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of approximately mainly two years at the following monthly rents:</p> <p>approximately JPY2,731,872 per month</p> <p>The above rent is exclusive of management fee, utility charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 97.6%.</p>	Floor	sq m	tsubo	Ground	312.05	94.40	2nd	143.47	43.40	3rd	127.01	38.42	4th	127.00	38.42	5th	127.00	38.42	6th	127.00	38.42	7th	127.04	38.43	8th	127.04	38.43	9th	127.04	38.43	<p>The property is currently occupied by the end-tenants for residential cum office/retail purpose.</p>	<p>JPY381,000,000 (equivalent to HK\$28,956,000)</p>
Floor	sq m	tsubo																																
Ground	312.05	94.40																																
2nd	143.47	43.40																																
3rd	127.01	38.42																																
4th	127.00	38.42																																
5th	127.00	38.42																																
6th	127.00	38.42																																
7th	127.04	38.43																																
8th	127.04	38.43																																
9th	127.04	38.43																																

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

GK Bohol; Typically, a limited liability company, *godo kaisha* (GK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the GK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Commercial Lot" with 80% of building coverage ratio and 400% of floor area ratio, located within Fireproof District, Landscape Planning Area, High-rise Regulation Area (maximum height 60m) under local regulations and rules.

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- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY274,000 and JPY290,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.6% and a terminal capitalisation rate of 5.9% were adopted.

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VALUATION CERTIFICATE

Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016																														
2	Lot No. 2-19, Kita 1jo Nishi 19-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture	<p>LC One comprises a 9-storey high-rise apartment cum office building completed in December 1988.</p> <p>The property comprises one lot with a total registered site area of 191.20 sq m (or about 57.84 tsubo, or 2,058 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><thead><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr></thead><tbody><tr><td>Ground</td><td>67.93</td><td>20.55</td></tr><tr><td>2nd</td><td>67.94</td><td>20.55</td></tr><tr><td>3rd</td><td>67.94</td><td>20.55</td></tr><tr><td>4th</td><td>67.94</td><td>20.55</td></tr><tr><td>5th</td><td>67.94</td><td>20.55</td></tr><tr><td>6th</td><td>67.94</td><td>20.55</td></tr><tr><td>7th</td><td>67.94</td><td>20.55</td></tr><tr><td>8th</td><td>67.94</td><td>20.55</td></tr><tr><td>9th</td><td>67.94</td><td>20.55</td></tr></tbody></table> <p>The property is leased to each end-tenant by the Company for a term of mainly approximately two years at the following monthly rents:</p> <p>approximately JPY960,000 per month</p> <p>The above rent is exclusive of management fee, utility charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 92.8%</p> <p>Acquired at the following cost:</p> <p>JPY79,069,000 (on 31 March, 2011)</p>	Floor	sq m	tsubo	Ground	67.93	20.55	2nd	67.94	20.55	3rd	67.94	20.55	4th	67.94	20.55	5th	67.94	20.55	6th	67.94	20.55	7th	67.94	20.55	8th	67.94	20.55	9th	67.94	20.55	<p>The property is currently occupied by the end-tenants for residential cum office purpose.</p>	<p>JPY133,000,000 (equivalent to HK\$10,108,000)</p>
Floor	sq m	tsubo																																
Ground	67.93	20.55																																
2nd	67.94	20.55																																
3rd	67.94	20.55																																
4th	67.94	20.55																																
5th	67.94	20.55																																
6th	67.94	20.55																																
7th	67.94	20.55																																
8th	67.94	20.55																																
9th	67.94	20.55																																

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JAPAN PROPERTY VALUATION

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

GK Bohol; Typically, a limited liability company, *godo kaisha* (GK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the GK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Commercial Lot" with 80% of building coverage ratio and 400% of floor area ratio, located within Quasi-fireproof District, Landscape Planning Area, High-rise Regulation Area (maximum height 60m) under local regulations and rules.
- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY214,000 and JPY224,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.5% and a terminal capitalisation rate of 5.8% were adopted.

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JAPAN PROPERTY VALUATION

VALUATION CERTIFICATE

Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016															
3	Lot No. 3, Hiragishi 3jo 4-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture	<p>Libress Hiragishi comprises a 4-storey mid-rise apartment cum office building completed in January 1987.</p> <p>The property comprises one lot with a total registered site area of 453.86 sq m (or about 137.29 tsubo, or 4,885 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>263.97</td><td>79.85</td></tr><tr><td>2nd</td><td>269.80</td><td>81.61</td></tr><tr><td>3rd</td><td>269.80</td><td>81.61</td></tr><tr><td>4th</td><td>269.80</td><td>81.61</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of mainly approximately two years at the following monthly rents:</p> <p>approximately JPY1,123,334 per month</p> <p>The above rent is exclusive of management fee, utility charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 90.5%</p>	Floor	sq m	tsubo	Ground	263.97	79.85	2nd	269.80	81.61	3rd	269.80	81.61	4th	269.80	81.61	The property is currently occupied by the end-tenants for residential cum office purpose.	JPY162,000,000 (equivalent to HK\$12,312,000)
Floor	sq m	tsubo																	
Ground	263.97	79.85																	
2nd	269.80	81.61																	
3rd	269.80	81.61																	
4th	269.80	81.61																	

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

YK Houten; Typically, a limited liability company, *yugen kaisha* (YK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the YK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Neighborhood Commercial Lot" with 80% of building coverage ratio and 300% of floor area ratio, located within Quasi-fireproof District, Landscape Planning Area, High-rise Regulation Area (maximum height 45m) under local regulations and rules.

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- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY147,000 and JPY158,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.6% and a terminal capitalisation rate of 5.9% were adopted.

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Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016															
4	Lot No. 533-14 and other lot, Minami 9jo Nishi 8-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture	<p>Nouvelle 98 comprises a 3-storey over 1 basement mid-rise apartment building completed in October 1988.</p> <p>The property comprises two contiguous lots with a total registered site area of 712.44 sq m (or about 215.51 tsubo, or 7,669 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><thead><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr></thead><tbody><tr><td>Ground</td><td>400.62</td><td>121.19</td></tr><tr><td>2nd</td><td>442.47</td><td>133.85</td></tr><tr><td>3rd</td><td>438.01</td><td>132.50</td></tr><tr><td>Basement</td><td>—</td><td>—</td></tr></tbody></table> <p>The property is leased to each end-tenant by the Company for a term of approximately two years at the following monthly rents:</p> <p>approximately JPY1,550,000 per month</p> <p>The above rent is exclusive of management fee, utility charges, parking charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 92.1%</p>	Floor	sq m	tsubo	Ground	400.62	121.19	2nd	442.47	133.85	3rd	438.01	132.50	Basement	—	—	The property is currently occupied by the end-tenants for residential purpose.	JPY219,000,000 (equivalent to HK\$16,644,000)
Floor	sq m	tsubo																	
Ground	400.62	121.19																	
2nd	442.47	133.85																	
3rd	438.01	132.50																	
Basement	—	—																	

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

YK Houten; Typically, a limited liability company, *yugen kaisha* (YK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the YK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Neighborhood Commercial Lot" with 80% of building coverage ratio and 300% of floor area ratio, located within Quasi-fireproof District, Landscape Planning Area, High-rise Regulation Area (maximum height 45m) under local regulations and rules.

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JAPAN PROPERTY VALUATION

- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY167,000 and JPY176,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.5% and a terminal capitalisation rate of 5.8% were adopted.

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VALUATION CERTIFICATE

Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016																																							
5	Lot No. 1-2 and other lots, Minami 1jo Nishi 18-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture	<p>South 1 West 18 Building comprises a 11-storey over 1 basement high-rise apartment cum office building completed in July 1989.</p> <p>The property comprises three contiguous lots with a total registered site area of 426.27 sq m (or about 128.95 tsubo, or 4,588 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>73.45</td><td>22.22</td></tr><tr><td>2nd</td><td>129.39</td><td>39.14</td></tr><tr><td>3rd</td><td>118.02</td><td>35.70</td></tr><tr><td>4th</td><td>135.28</td><td>40.92</td></tr><tr><td>5th</td><td>135.28</td><td>40.92</td></tr><tr><td>6th</td><td>135.28</td><td>40.92</td></tr><tr><td>7th</td><td>135.28</td><td>40.92</td></tr><tr><td>8th</td><td>135.28</td><td>40.92</td></tr><tr><td>9th</td><td>135.28</td><td>40.92</td></tr><tr><td>10th</td><td>135.28</td><td>40.92</td></tr><tr><td>11th</td><td>135.28</td><td>40.92</td></tr><tr><td>Basement</td><td>39.63</td><td>11.99</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of mainly approximately two years at the following monthly rents:</p> <p>approximately JPY2,098,000 per month</p> <p>The above rent is exclusive of management fee, utility charges, parking charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 97.7%.</p>	Floor	sq m	tsubo	Ground	73.45	22.22	2nd	129.39	39.14	3rd	118.02	35.70	4th	135.28	40.92	5th	135.28	40.92	6th	135.28	40.92	7th	135.28	40.92	8th	135.28	40.92	9th	135.28	40.92	10th	135.28	40.92	11th	135.28	40.92	Basement	39.63	11.99	The property is currently occupied by the end-tenants for residential cum office purpose.	JPY254,000,000 (equivalent to HK\$19,304,000)
Floor	sq m	tsubo																																									
Ground	73.45	22.22																																									
2nd	129.39	39.14																																									
3rd	118.02	35.70																																									
4th	135.28	40.92																																									
5th	135.28	40.92																																									
6th	135.28	40.92																																									
7th	135.28	40.92																																									
8th	135.28	40.92																																									
9th	135.28	40.92																																									
10th	135.28	40.92																																									
11th	135.28	40.92																																									
Basement	39.63	11.99																																									

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

GK Bohol; Typically, a limited liability company, *godo kaisha* (GK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the GK through a silent partnership, *tokumei kumiai* (TK) agreement.

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- iii) The Property is zoned "Commercial Lot" with 80% of building coverage ratio and 400% of floor area ratio, located within Quasi-fireproof District, Landscape Planning Area, High-rise Regulation Area (maximum height 60m) under local regulations and rules.
- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY169,000 and JPY184,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.4% and a terminal capitalisation rate of 5.7% were adopted.

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VALUATION CERTIFICATE

Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016															
6	Lot No. 614-16 and other lot, Kotoni 3jo 3-chome, Nishi-ku, Sapporo City, Hokkaido Prefecture	<p>T House comprises a 4-storey mid-rise apartment building completed in October 1987.</p> <p>The property comprises two contiguous lots with a total registered site area of 360.02 sq m (or about 108.91 tsubo, or 3,875 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>156.80</td><td>47.43</td></tr><tr><td>2nd</td><td>156.80</td><td>47.43</td></tr><tr><td>3rd</td><td>156.80</td><td>47.43</td></tr><tr><td>4th</td><td>156.80</td><td>47.43</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of approximately two years at the following monthly rents:</p> <p>approximately JPY890,000 per month</p> <p>The above rent is exclusive of management fee, utility charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 91.9%.</p>	Floor	sq m	tsubo	Ground	156.80	47.43	2nd	156.80	47.43	3rd	156.80	47.43	4th	156.80	47.43	The property is currently occupied by the end-tenants for residential purpose.	JPY137,000,000 (equivalent to HK\$10,412,000)
Floor	sq m	tsubo																	
Ground	156.80	47.43																	
2nd	156.80	47.43																	
3rd	156.80	47.43																	
4th	156.80	47.43																	

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

YK Houten; Typically, a limited liability company, *yugen kaisha* (YK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the YK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Category I Residential Lot" with 60% of building coverage ratio and 200% of floor area ratio, located within Landscape Planning Area, High-rise Regulation Area (maximum height 33m) under local regulations and rules.

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JAPAN PROPERTY VALUATION

- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY218,000 and JPY226,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.6% and a terminal capitalisation rate of 5.9% were adopted.

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JAPAN PROPERTY VALUATION

VALUATION CERTIFICATE

Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016															
7	Lot No. 44, Hiragishi 3jo 12-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture	<p>Tommy House Hiragishi comprises a 4-storey mid-rise apartment building completed in January 1991.</p> <p>The property comprises one lot with a total registered site area of 429.43 sq m (or about 129.90 tsubo, or 4,622 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>203.98</td><td>61.70</td></tr><tr><td>2nd</td><td>203.98</td><td>61.70</td></tr><tr><td>3rd</td><td>203.98</td><td>61.70</td></tr><tr><td>4th</td><td>203.98</td><td>61.70</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of approximately two years at the following monthly rents:</p> <p>approximately JPY868,000 per month</p> <p>The above rent is exclusive of management fee, utility charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 78.6%.</p>	Floor	sq m	tsubo	Ground	203.98	61.70	2nd	203.98	61.70	3rd	203.98	61.70	4th	203.98	61.70	The property is currently occupied by the end-tenants for residential purpose.	JPY152,000,000 (equivalent to HK\$11,552,000)
Floor	sq m	tsubo																	
Ground	203.98	61.70																	
2nd	203.98	61.70																	
3rd	203.98	61.70																	
4th	203.98	61.70																	

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

YK Houten; Typically, a limited liability company, *yugen kaisha* (YK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the YK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Category I Residential Lot" with 60% of building coverage ratio and 200% of floor area ratio, located within Landscape Planning Area, High-rise Regulation Area (maximum height 33m) under local regulations and rules.

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JAPAN PROPERTY VALUATION

- iv) There are no conditions to stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY185,000 and JPY194,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.6% and a terminal capitalisation rate of 5.9% were adopted.

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Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016																		
8	Lot No. 18-316 and other lot, Kita 23jo Nishi 5-chome, Kita-ku, Sapporo City, Hokkaido Prefecture	<p>White Building A & B comprises a 5-storey mid-rise apartment building completed in February 1985.</p> <p>The property comprises two contiguous lots with a total registered site area of 370.20 sq m (or about 111.99 tsubo, or 3,985 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><thead><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr></thead><tbody><tr><td>Ground</td><td>189.48</td><td>57.32</td></tr><tr><td>2nd</td><td>270.48</td><td>81.82</td></tr><tr><td>3rd</td><td>270.48</td><td>81.82</td></tr><tr><td>4th</td><td>274.48</td><td>83.03</td></tr><tr><td>5th</td><td>270.48</td><td>81.82</td></tr></tbody></table> <p>The property is leased to each end-tenant by the Company for a term of approximately one to two years at the following monthly rents:</p> <p>approximately JPY1,546,000 per month</p> <p>The above rent is exclusive of management fee, utility charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 100%.</p>	Floor	sq m	tsubo	Ground	189.48	57.32	2nd	270.48	81.82	3rd	270.48	81.82	4th	274.48	83.03	5th	270.48	81.82	The property is currently occupied by the end-tenants for residential purpose.	JPY215,000,000 (equivalent to HK\$16,340,000)
Floor	sq m	tsubo																				
Ground	189.48	57.32																				
2nd	270.48	81.82																				
3rd	270.48	81.82																				
4th	274.48	83.03																				
5th	270.48	81.82																				

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

GK Bohol; Typically, a limited liability company, *godo kaisha* (GK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the GK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Commercial Lot" with 80% of building coverage ratio and 400% of floor area ratio, located within Quasi-fireproof District, Landscape Planning Area, High-rise Regulation Area (maximum height 60m) under local regulations and rules.

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JAPAN PROPERTY VALUATION

- iv) There are no conditions to stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY167,000 and JPY175,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.6% and a terminal capitalisation rate of 5.9% were adopted.

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VALUATION CERTIFICATE

Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016															
9	Lot No. 46-1 and other lots, Suginamicho, Hakodate City, Hokkaido Prefecture	<p>City Court Suginami comprised a 4-storey mid-rise apartment building completed in August 1989.</p> <p>The property comprises four contiguous lots with a total registered site area of 760.59 sq m (or about 230.08 tsubo, or 8,187 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><thead><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr></thead><tbody><tr><td>Ground</td><td>316.80</td><td>95.83</td></tr><tr><td>2nd</td><td>316.80</td><td>95.83</td></tr><tr><td>3rd</td><td>316.80</td><td>95.83</td></tr><tr><td>4th</td><td>316.80</td><td>95.83</td></tr></tbody></table> <p>The property is leased to each end-tenant by the Company for a term of mainly approximately two years at the following monthly rents:</p> <p>approximately JPY1,663,000 per month</p> <p>The above rent is exclusive of management fee, utility charges, parking charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 90.9%.</p>	Floor	sq m	tsubo	Ground	316.80	95.83	2nd	316.80	95.83	3rd	316.80	95.83	4th	316.80	95.83	The property is currently occupied by the end-tenants for residential purpose.	JPY220,000,000 (equivalent to HK\$16,720,000)
Floor	sq m	tsubo																	
Ground	316.80	95.83																	
2nd	316.80	95.83																	
3rd	316.80	95.83																	
4th	316.80	95.83																	

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as the followings:

YK Hourei; Typically, a limited liability company, *yugen kaisha* (YK) under the local company law acts a special purpose company and holds an investment portfolio and investors make investment into the YK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Category II Residential Lot" with 60% of building coverage ratio and 200% of floor area ratio under local regulations and rules.

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JAPAN PROPERTY VALUATION

- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken into consideration of the existing lease conditions.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY172,000 and JPY177,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.9% and a terminal capitalisation rate of 6.2% were adopted.

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JAPAN PROPERTY VALUATION

VALUATION CERTIFICATE

Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016																		
10	Lot No. 6-18 and other lot, Minamiazabu 1-chome, Minato-ku, Tokyo	<p>Azabu Sendaizaka Hills comprised a 5-storey mid-rise apartment building completed in June 1991.</p> <p>The property comprises two contiguous lots with a total registered site area of 719.53 sq m (or about 217.66 tsubo, or 7,745 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground*</td><td>—</td><td>—</td></tr><tr><td>2nd</td><td>347.51</td><td>105.12</td></tr><tr><td>3rd</td><td>339.08</td><td>102.57</td></tr><tr><td>4th</td><td>273.88</td><td>82.85</td></tr><tr><td>5th</td><td>158.67</td><td>48.00</td></tr></table> <p>*parking, entrance, etc.</p> <p>The property is leased to each end-tenant by the Company for a term of two years at the following monthly rents:</p> <p>approximately JPY4,315,000 per month</p> <p>The above rent, which is inclusive of car parking fee, is exclusive of management fee, utility charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 100%.</p> <p>Acquired at the following cost:</p> <p>JPY1,300,000,000 (on 16 December, 2014)</p>	Floor	sq m	tsubo	Ground*	—	—	2nd	347.51	105.12	3rd	339.08	102.57	4th	273.88	82.85	5th	158.67	48.00	The property is currently occupied by the end-tenants for residential purpose.	JPY1,310,000,000 (equivalent to HK\$99,560,000)
Floor	sq m	tsubo																				
Ground*	—	—																				
2nd	347.51	105.12																				
3rd	339.08	102.57																				
4th	273.88	82.85																				
5th	158.67	48.00																				

APPENDIX IV

JAPAN PROPERTY VALUATION

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

GK Choun; Typically, a limited liability company, *godo kaisha* (GK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the GK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Category I Mid/High-rise Exclusive Residential Lot" with 60% of building coverage ratio and 200% of floor area ratio, located within Quasi-Fireproof District, Landscape Planning Area, Category II High-rise Regulation Area (Maximum height: 17m), Sun Shade Regulation (3h-2h) 4m under local regulations and rules.
- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY1,150,000 and JPY1,270,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 3.2% and a terminal capitalisation rate of 3.5% were adopted.

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VALUATION CERTIFICATE

Property Interests held by the Company in Japan

			Capital Value in existing state as at 31 July, 2016																					
No.	Property	Description and Tenure	Particulars of occupancy																					
11	Lot No. 2-12, Azabujuban 2-chome, Minato-ku, Tokyo	<p>Azabu Juban Crown Building comprises a 6-storey mid-rise retail and office cum apartment building completed in November 1968.</p> <p>The property comprises one lot with a total registered site area of 71.27 sq m (or about 21.56 tsubo, or 767 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>40.11</td><td>12.13</td></tr><tr><td>2nd</td><td>52.15</td><td>15.78</td></tr><tr><td>3rd</td><td>41.12</td><td>12.44</td></tr><tr><td>4th</td><td>40.22</td><td>12.17</td></tr><tr><td>5th</td><td>35.20</td><td>10.65</td></tr><tr><td>6th</td><td>8.70</td><td>2.63</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of approximately two years at the following monthly rents:</p> <p>approximately JPY781,037 per month</p> <p>The above rent is exclusive of management fee, utility charges, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 100%.</p> <p>Acquired at the following cost:</p> <p>JPY253,400,000 (on 6 July, 2015)</p>	Floor	sq m	tsubo	Ground	40.11	12.13	2nd	52.15	15.78	3rd	41.12	12.44	4th	40.22	12.17	5th	35.20	10.65	6th	8.70	2.63	<p>The property is currently occupied by the end-tenants for retail and office cum residential purpose.</p> <p>JPY254,000,000 (equivalent to HK\$19,304,000)</p>
Floor	sq m	tsubo																						
Ground	40.11	12.13																						
2nd	52.15	15.78																						
3rd	41.12	12.44																						
4th	40.22	12.17																						
5th	35.20	10.65																						
6th	8.70	2.63																						

Notes:

- A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- The registered owner of the Property is as follows:

YK Houten; Typically, a limited liability company, *yugen kaisha* (YK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the YK through a silent partnership, *tokumei kumiai* (TK) agreement.

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- iii) The Property is zoned "Commercial Lot" with 80% of building coverage ratio and 500% of floor area ratio, located within Fireproof District, Landscape Planning Area, High-rise Regulation Area (Maximum height: 40m) under local regulations and rules.
- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY1,160,000 and JPY1,200,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 3.3% and a terminal capitalisation rate of 3.6% were adopted.

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Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016																								
12	Lot No. 563, Nishijin 5-chome, Sawara-ku, Fukuoka City, Fukuoka Prefecture	<p>Residence Motoki comprises a 7-storey high-rise retail cum apartment building completed in March 1991.</p> <p>The property comprises one lot with a total registered site area of 359.66 sq m (or about 108.80 tsubo, or 3,871 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>123.03</td><td>37.22</td></tr><tr><td>2nd</td><td>169.34</td><td>51.23</td></tr><tr><td>3rd</td><td>171.34</td><td>51.83</td></tr><tr><td>4th</td><td>171.38</td><td>51.84</td></tr><tr><td>5th</td><td>171.38</td><td>51.84</td></tr><tr><td>6th</td><td>171.38</td><td>51.84</td></tr><tr><td>7th</td><td>136.17</td><td>41.19</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of approximately mainly two years for residence space including approximately one year for commercial space at the following monthly rents:</p> <p>approximately JPY1,604,952 per month</p> <p>The above rent is exclusive of management fee, utility charges, car parking charge, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 83.7%.</p> <p>Acquired at the following cost:</p> <p>JPY275,000,000 (on 15 March, 2013)</p>	Floor	sq m	tsubo	Ground	123.03	37.22	2nd	169.34	51.23	3rd	171.34	51.83	4th	171.38	51.84	5th	171.38	51.84	6th	171.38	51.84	7th	136.17	41.19	The property is currently occupied by the end-tenants for retail cum residential purpose.	JPY271,000,000 (equivalent to HK\$20,596,000)
Floor	sq m	tsubo																										
Ground	123.03	37.22																										
2nd	169.34	51.23																										
3rd	171.34	51.83																										
4th	171.38	51.84																										
5th	171.38	51.84																										
6th	171.38	51.84																										
7th	136.17	41.19																										

APPENDIX IV

JAPAN PROPERTY VALUATION

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

GK Mameha; Typically, a limited liability company, *godo kaisha* (GK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the GK through a silent partnership, *tokumei kumiai* (TK) agreement.
- iii) The Property is zoned "Commercial Lot" with 80% of building coverage ratio and 400% of floor area ratio, located within Quasi-Fireproof District, Landscape Planning Area, Parking Place Development Zones under local regulations and rules.
- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and there are no encumbrances or encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY237,000 and JPY254,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.6% and a terminal capitalisation rate of 5.9% were adopted.

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Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016																		
13	Lot No. 55-2 and other lot, Fujisaki 1-chome, Sawara-ku, Fukuoka City, Fukuoka Prefecture	<p>Wealth Fujisaki comprises a 5-storey mid-rise apartment building completed in January 1988.</p> <p>The property comprises two contiguous lots with a total registered site area of 386.81 sq m (or about 117.01 tsubo, or 4,164 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>136.78</td><td>41.38</td></tr><tr><td>2nd</td><td>137.44</td><td>41.58</td></tr><tr><td>3rd</td><td>137.44</td><td>41.58</td></tr><tr><td>4th</td><td>137.44</td><td>41.58</td></tr><tr><td>5th</td><td>137.44</td><td>41.58</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of approximately mainly two years at the following monthly rents:</p> <p>approximately JPY950,000 per month</p> <p>The above rent is exclusive of management fee, utility charges, car parking charge, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 90.0%.</p> <p>Acquired at the following cost:</p> <p>JPY170,000,000 (on 26 August, 2014)</p>	Floor	sq m	tsubo	Ground	136.78	41.38	2nd	137.44	41.58	3rd	137.44	41.58	4th	137.44	41.58	5th	137.44	41.58	The property is currently occupied by the end-tenants for residential purpose.	JPY171,000,000 (equivalent to HK\$12,996,000)
Floor	sq m	tsubo																				
Ground	136.78	41.38																				
2nd	137.44	41.58																				
3rd	137.44	41.58																				
4th	137.44	41.58																				
5th	137.44	41.58																				

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

YK Hourei; Typically, a limited liability company, *yugen kaisha* (YK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the YK through a silent partnership, *tokumei kumiai* (TK) agreement.

APPENDIX IV

JAPAN PROPERTY VALUATION

- iii) The Property is zoned "Category I Residential Lot" with 60% of building coverage ratio and 200% of floor area ratio, located within Area under the Article 22 of the Building Standard Law, Landscape Planning Area, Category II High-rise Regulation Area (Maximum height: 20m), Sun Shade Regulation (5h-3h) 4m under local regulations and rules.
- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY246,000 and JPY256,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.6% and a terminal capitalisation rate of 5.9% were adopted.

APPENDIX IV

JAPAN PROPERTY VALUATION

VALUATION CERTIFICATE

Property Interests held by the Company in Japan

No.	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July, 2016																														
14	Lot No. 2-2 and other lots, Chuogai, Chuo-ku, Kumamoto City, Kumamoto Prefecture	<p>Rise Shimodori EXE comprises a 9-storey high-rise retail cum apartment building completed in May 2008.</p> <p>The property comprises four contiguous lots with a total registered site area of 384.36 sq m (or about 116.27 tsubo, or 4,137 sq ft)</p> <p>The net lettable area of the units of the existing building is as follows:</p> <table><tr><th>Floor</th><th>sq m</th><th>tsubo</th></tr><tr><td>Ground</td><td>127.32</td><td>38.51</td></tr><tr><td>2nd</td><td>148.50</td><td>44.92</td></tr><tr><td>3rd</td><td>148.50</td><td>44.92</td></tr><tr><td>4th</td><td>148.50</td><td>44.92</td></tr><tr><td>5th</td><td>148.50</td><td>44.92</td></tr><tr><td>6th</td><td>148.50</td><td>44.92</td></tr><tr><td>7th</td><td>148.50</td><td>44.92</td></tr><tr><td>8th</td><td>148.50</td><td>44.92</td></tr><tr><td>9th</td><td>148.50</td><td>44.92</td></tr></table> <p>The property is leased to each end-tenant by the Company for a term of two years at the following monthly rents:</p> <p>approximately JPY2,534,524 per month</p> <p>The above rent is exclusive of management fee, utility charges, car parking charge, other outgoings and 8% consumption tax.</p> <p>Occupancy level: 96.8%.</p>	Floor	sq m	tsubo	Ground	127.32	38.51	2nd	148.50	44.92	3rd	148.50	44.92	4th	148.50	44.92	5th	148.50	44.92	6th	148.50	44.92	7th	148.50	44.92	8th	148.50	44.92	9th	148.50	44.92	The property is currently occupied by the end-tenants for retail cum residential purpose.	JPY401,000,000 (equivalent to HK\$30,476,000)
Floor	sq m	tsubo																																
Ground	127.32	38.51																																
2nd	148.50	44.92																																
3rd	148.50	44.92																																
4th	148.50	44.92																																
5th	148.50	44.92																																
6th	148.50	44.92																																
7th	148.50	44.92																																
8th	148.50	44.92																																
9th	148.50	44.92																																

Notes:

- i) A tsubo is a measurement unit in Japan corresponding to about 3.3058 sq m.
- ii) The registered owner of the Property is as follows:

GK Hayama Shouten; Typically, a limited liability company, *godo kaisha* (GK) under the local company law acts as a special purpose company and holds an investment portfolio and investors make investment into the GK through a silent partnership, *tokumei kumiai* (TK) agreement.

APPENDIX IV

JAPAN PROPERTY VALUATION

- iii) The Property is zoned "Commercial Lot" with 80% of building coverage ratio and 600% of floor area ratio, located within Fireproof District, Landscape Planning Area, Parking Place Development Zones, Outdoor Advertisements Permission Area (Category III) under local regulations and rules.
- iv) There are no conditions stipulated in the lease of the Property as to the construction of the roadways, pathway, drainage, sewage and other facilities or services for public uses.
- v) In assessing the market value of the Property, we have taken the existing lease conditions into consideration.
- vi) Land is of freehold interest and the lender has obtained a mortgage lien. There are no encroachments in the Property.
- vii) We have counter-checked the valuation with comparable properties in the market and have made reference to three residential transactions which are considered appropriate for this purpose. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject property such as location, age and quality of the building and size of transactions, etc. The adjusted unit rate of the comparables is in the range of JPY305,000 and JPY310,000 per sq.m. and our valuation of the property falls within this range.
- viii) In the application of the Discounted Cash Flow Approach, a discount rate of 5.8% and a terminal capitalisation rate of 6.1% were adopted.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 November, 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its memorandum of association (the "Memorandum") and its articles of association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 26 September 2016 with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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 ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made 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 ownership of shares in the Company by a subsidiary.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto 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 may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange 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 are 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 is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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.

(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for 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 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 contract or arrangement concerning an offer of shares or 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 contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(e) Meetings of members

(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 such members as 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 in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

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Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;

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- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(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, but the absence of a quorum shall not preclude the appointment of a chairman.

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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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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 whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

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No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised 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 amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst 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 amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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 shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he

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deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is 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

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) 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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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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

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A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

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Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions 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:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

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The undertaking for the Company is for a period of twenty years from 8 December, 2015.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

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(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

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(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII to this document. 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.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 11 November 2015 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 18 January 2016. We have established a place of business in Hong Kong at 21 Wing Wo Street, Central, Hong Kong. Mr. Ip has been appointed as the authorised representative of our Company for the acceptance of service of processes and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the Cayman Islands company law and its constitutional documents comprising the Memorandum and the Articles. A summary of certain provisions of its constitutional documents and relevant aspects of the Cayman Islands company law is set out in Appendix V to this document.

2. Changes in share capital of our Company

Our authorised share capital as at 11 November 2015, being the date of our incorporation, was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one nil-paid Share was allotted and issued to the initial subscriber on the date of incorporation and was transferred to KHHL on the same day at nil consideration.

On 26 September 2016, in consideration of KHHL transferring the entire issued share capital in Altus Investments to Whalehunter and in return for Whalehunter allotting and issuing one share in its share capital to our Company, the one nil-paid Share which was registered in the name of KHHL was credited as fully paid.

Pursuant to the written resolutions of our sole Shareholder passed on 26 September 2016, our Company increased its authorised share capital to HK\$50,000,000 divided into 5,000,000,000 Shares with a par value of HK\$0.01 each by the creation of an additional 4,962,000,000 Shares.

Pursuant to the Capitalisation Issue, our Company will allot and issue [REDACTED] Shares to KHHL.

Immediately following completion of the Capitalisation Issue and the [REDACTED] and without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid and [REDACTED] Shares will remain unissued. A total of [REDACTED] Shares to be held by KHHL are also subject to the Call Options, details of which are set out in the paragraph headed “Grant of Call Options by KHHL to Mr. Chang and Ms. Leung” in the section headed “Directors, senior management and employees” of this document.

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Save as aforesaid and as mentioned in the paragraph headed "3. Written resolutions of our sole Shareholder passed on 26 September 2016" in this appendix, there has been no alteration in the share capital of our Company since incorporation.

Save as disclosed in this document, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

3. Written resolutions of our sole Shareholder passed on 26 September 2016

On 26 September 2016, written resolutions of our sole Shareholder were passed, pursuant to which among others:

- (a) the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares;
- (b) our Company approved and adopted the Memorandum and, with effect from the [REDACTED], the Articles of Association;
- (c) conditional on (i) the [REDACTED] of the Stock Exchange granting the [REDACTED] of, and [REDACTED], our Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the [REDACTED] among our Company and the [REDACTED] (for and on behalf of the [REDACTED]) on the [REDACTED]; and (iii) the obligations of the [REDACTED] under the [REDACTED] Agreement becoming unconditional 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 [REDACTED]:
 - (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED]; and
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "1. Share Option Scheme" in the section headed "Other information" in this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares upon the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

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- (d) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to our sole Shareholder whose name appeared on the register of members of our Company at the close of business on 26 September 2016;
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of a rights issue or any scrip dividend scheme or similar arrangement providing for allotment of the Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association or the [REDACTED] or the Capitalisation Issue, or the exercise of any of the subscription rights attaching to any options which may be granted under the Share Option Scheme) unissued Shares not exceeding the sum of (i) 20% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue; and (ii) (if the Directors are so authorised by a separate resolution of our Shareholders) the total number of Shares repurchased by our Company pursuant to the authority granted to our Directors as referred in paragraph (f) below, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to our Directors, whichever occurs first;
- (f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the total number of Shares which may be allotted, issued or dealt with by our Directors pursuant to or in accordance with such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to or in accordance with the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the [REDACTED] of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and corporate structure" of this document.

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5. Changes in share capital of subsidiaries of our Company

Our subsidiaries are referred to in the Accountants' Report in Appendix I to this document. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, Reorganisation and corporate structure" of this document, our Company has no other subsidiaries.

Save for the alterations disclosed in the section headed "History, Reorganisation and corporate structure" of this document, there were no other alteration in the authorised or issued share capital of our subsidiaries which took place within two years immediately preceding the date of this document.

6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary [REDACTED] is on GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid-up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our sole Shareholder on 26 September 2016, a general unconditional mandate was given to our Directors authorising any repurchase by our Company of Shares on GEM 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, of up to 10.0% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

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(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with a company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time. Under the Cayman Islands laws, any repurchase by our Company may be made out of profits of our Company, out of the share premium account or out of the [REDACTED] of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits or the share premium account of our Company. Subject to the Companies Law, a repurchase of Shares may also be made out of our share capital.

(iii) Trading restrictions

Our Company may repurchase up to 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchase the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a share repurchase as the Stock Exchange may require.

In addition, a listed company is prohibited from repurchasing its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(iv) Status of repurchased shares

All repurchased shares (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those shares must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

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(v) Suspension of repurchase

Repurchase of Shares are prohibited after inside information has come to the knowledge of our Company, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the GEM Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, our Company may not repurchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of Shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchase of securities on GEM or otherwise must be reported to the Stock Exchange no 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, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchases, where relevant, and the aggregate prices paid. The Directors' report is also required to contain reference to the repurchases made during the year and the Directors' reasons for making such repurchases.

(vii) Core connected persons

According to the GEM Listing Rules, a company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

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(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate is to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED], would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to us 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 GEM Listing Rules and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of any securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, 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 as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

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If the Repurchase Mandate is fully exercised immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be [REDACTED] Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our sole Shareholder will be increased to approximately [REDACTED]% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. Any repurchase of Shares (which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue) could only be implemented with the approval of the Stock Exchange to waive the GEM Listing Rules requirements regarding the [REDACTED] under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient [REDACTED] as prescribed under the GEM Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of our subsidiaries within the two years immediately preceding the date of this document and are or may be material to our business:

- (a) bought and sold notes dated 17 June 2015 and executed by Starich and Mr. Chang, pursuant to which Starich agreed to sell and Mr. Chang agreed to purchase 40 shares of AJ Investments Group Limited at a consideration of JPY20,177,720;
- (b) a sale and purchase agreement dated 25 November 2015 and entered into between Starich and KHHL, pursuant to which Starich agreed to sell and KHHL agreed to purchase 900 shares of Profit Gain and the amount owing by Profit Gain to Starich in respect of the loans made by Starich to Profit Gain under the promissory notes dated 15 September 2006 and 31 January 2007 and all obligations, liabilities and debts (including any interests accrued thereon, if any) owing or incurred by Profit Gain to Starich on or at any time prior to the date thereof, which is amounted to an aggregate of JPY17,091,273 (equivalent to approximately HK\$1,105,805.36), at a consideration of HK\$1,105,819.41 (the “**Consideration**”);
- (c) a deed of assignment dated 25 November 2015 and executed by Starich, KHHL and Profit Gain pursuant to the terms of the sale and purchase agreement as referred to in item (b) above, pursuant to which Starich assigned to KHHL all its rights, titles, benefits and interests in all obligations, liabilities and debts owing or incurred by Profit Gain to Starich on or at any time prior to the date thereof;
- (d) a deed of set off dated 25 November 2015 and executed by KHHL and Starich, pursuant to which the parties thereto agreed that the Consideration as referred to in item (b) above shall be satisfied by KHHL by setting off against part of the loan due by Starich to KHHL, in the sum of HK\$1,105,819.41;

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- (e) a sale and purchase agreement dated 30 March 2016 and entered into between KHHL and Altus Investments, pursuant to which KHHL agreed to sell and Altus Investments agreed to purchase 23 shares of Galaxy Base at a consideration of HK\$3,283,193.34;
- (f) an agreement for sale and purchase dated 31 March 2016 and entered into among KHHL, Starich and Altus Investments, pursuant to which KHHL agreed to sell and Starich agreed to purchase 8,098 shares of Smart Tact at a consideration of HK\$23,162,228.93;
- (g) an agreement for sale and purchase dated 31 March 2016 and entered into among KHHL, Starich and Altus Investments, pursuant to which KHHL agreed to sell and Starich agreed to purchase 2,327 shares of Residence at a consideration of HK\$15,249,519.23;
- (h) an agreement for sale and purchase dated 31 March 2016 and entered into between Altus Investments and Starich, pursuant to which Altus Investments agreed to sell and Starich agreed to purchase 56 shares of I Corporation at a consideration of HK\$10,836,221.07;
- (i) a deed of assignment and novation dated 8 April 2016 and executed by KHHL, Starich and GK Choun, pursuant to which KHHL assigned to Starich all its rights, titles, benefits and interests in the TK Agreement entered into by KHHL and GK Choun on 9 February 2015 at a consideration of HK\$71,979,212.65;
- (j) an agreement for sale and purchase dated 24 September 2016 and entered into among Altus Investments, Pleasant Hilltop, our Company and the Controlling Shareholders, pursuant to which Altus Investments agreed to sell and Pleasant Hilltop agreed to purchase 8 ordinary shares of Starich at a consideration of HK\$182,508,678.31;
- (k) an agreement for sale and purchase dated 26 September 2016 and entered into among KHHL, Whalehunter, our Company, Ms. Chan, Mr. Ip and Ms. Ip, pursuant to which KHHL agreed to sell and Whalehunter agreed to purchase 6,000,000 ordinary shares of Altus Investments in consideration of the crediting as fully paid the one nil paid Share registered in the name of KHHL;
- (l) the Deed of Indemnity;
- (m) the Deed of Non-Competition;
- (n) the [REDACTED] Agreement;

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(o)

[REDACTED]

(p)

[REDACTED]

(q)

[REDACTED]

(r)

[REDACTED]

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2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which, in the opinion of our Directors, are material to our business:

Trademark	Trademark no.	Class	Registered owner	Date of registration	Expiry date
“A” ALTUS.	303515940	36	Altus Capital	25 August 2015	24 August 2025
“B” ALTUS.					
“A” ALTUS CAPITAL LIMITED	303515959	36	Altus Capital	25 August 2015	24 August 2025
“B” ALTUS CAPITAL LIMITED					
“A” ALTUS CAPITAL LIMITED 浩德融資有限公司	303515968	36	Altus Capital	25 August 2015	24 August 2025
“B” ALTUS CAPITAL LIMITED 浩德融資有限公司					
“A” ALTUS 浩德.	303515977	36	Altus Capital	25 August 2015	24 August 2025
“B” ALTUS 浩德.					

(b) Domain name

As at the Latest Practicable Date, our Group was licensed to use the following domain name which, in opinion of our Directors, is material to our business:

Domain name	Date of registration	Expiry date
altus.com.hk	30 October 2015	30 October 2016

Save as aforesaid, there are no other trade or service marks, patents, copyright, other intellectual or industrial property rights which are material in relation to our Group's business.

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C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests – interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its 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 therein, or which will be required to notify our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(i) *Interests in our Company*

Name	Nature of interest	Interests in Shares ^(Note 1)	Approximate percentage shareholding
Mr. Ip ^(Note 2)	Beneficiary of a trust	[REDACTED] (L) [REDACTED] [REDACTED] (S) ^(Note 3) [REDACTED]	[REDACTED]
Mr. Chang	Beneficial owner	[REDACTED] (L) ^(Note 3) [REDACTED]	[REDACTED]
Ms. Leung	Beneficial owner	[REDACTED] (L) ^(Note 3) [REDACTED]	[REDACTED]

Notes:

- The letters “L” and “S” denote a long position and a short position in our Shares respectively.
- [REDACTED] Shares will be held by KHHL, a company owned as to 20% by Ms. Chan and as to 80% by The Trustee on behalf of The Hecico 1985 Trust, of which Mr. Ip is one of the beneficiaries. By virtue of the SFO, Mr. Ip is deemed to be interested in all the Shares held by KHHL.
- Pursuant to the Option Deeds entered into between KHHL and each of Mr. Chang and Ms. Leung, KHHL granted Call Options to Mr. Chang and Ms. Leung, entitling them to purchase from KHHL up to [REDACTED] and [REDACTED] Option Shares, representing approximately [REDACTED] and [REDACTED] of the issued share capital of our Company (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), at the exercise price of HK\$[REDACTED] per Option Share (subject to adjustment). Please refer to the paragraph headed “Grant of Call Options by KHHL to Mr. Chang and Ms. Leung” in the section headed “Directors, senior management and employees” of this document for further details of the Call Options.

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(ii) *Interests in associated corporations of our Company*

Name	Name of associated corporation	Nature of interest	Interests in shares ^(Note 1)	Approximate percentage shareholding
Mr. Ip	KHHL ^(Note 2)	Beneficiary of a trust	204 (L)	80.0%
	I Corporation ^(Note 3)	Interest of spouse	14 (L)	20.0%
Ms. Leung	Residence	Beneficial owner	10 (L)	0.33%
Mr. Chang	Residence	Beneficial owner	5 (L)	0.17%

Notes:

- 1 The letter "L" denotes a long position in our Shares.
- 2 KHHL is a company which is owned as to 20% by Ms. Chan and as to 80% by The Trustee on behalf of The Hecico 1985 Trust, of which Mr. Ip is one of the beneficiaries. By virtue of the SFO, Mr. Ip is deemed to be interested in the shares of KHHL held by the Trustee.
- 3 Pursuant to the SFO, Mr. Ip, the spouse of Ms. Ho, is deemed to be interested in the shares of I Corporation held by Ms. Ho.

(b) *Particulars of service contracts*

None of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

The Company's policies concerning remuneration of executive Directors are as follows:

- the amount of remuneration payable to the executive Directors is determined by our Company on a case-by-case basis with reference to duties and level of responsibilities of each Director and the remuneration policy of our Company and the prevailing market conditions;
- non-cash benefits may be provided at the discretion of the Board to the Directors under their remuneration package; and
- the executive Directors may be granted, at the discretion of the board of Directors, share options under the Share Option Scheme as part of their remuneration package.

During the year ended 31 March 2015 and 2016, the aggregate emoluments of our Directors were approximately HK\$2.6 million and HK\$6.0 million, respectively. Details of the Directors' remuneration are set out in the Accountants' Report of Appendix I to this document.

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Under the arrangements currently in force, the aggregate emoluments excluding payment pursuant to any discretionary benefits on bonus, other fringe benefits or emoluments tied to our Group's future earnings payable to our Directors by our Group for the year ending 31 March 2017 are estimated to be approximately HK\$1.5 million.

Under the arrangements currently proposed, with effect from the [REDACTED], the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK\$
Executive Directors	
Mr. Ip	600,000
Mr. Chang	660,000
Ms. Leung	120,000 ^(Note)
Independent non-executive Directors	
Mr. Chao Tien Yo	120,000
Mr. Chan Sun Kwong	120,000
Mr. Lee Shu Yin	120,000

Note: This represents a basic monthly remuneration of HK\$10,000. Ms. Leung is entitled to (i) a monthly amount equal to 20% of the invoiced amount during the relevant month for each project in which our Group acts as sponsor; and (ii) a monthly amount equal to 12% of the invoiced amount during the relevant month for each project in which our Group acts as financial adviser or listing agent (net of any incidental professional fees incurred (as applicable)), and less such basic monthly remuneration as mentioned above.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the year ended 31 March 2015 and 2016 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 March 2015 and 2016.

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2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account of any Shares that may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:

(a) *Interests or short positions in our Company*

Name of Shareholder	Nature of Interest	Number of Shares ^(Note 1)	Approximate percentage of interest in our Company immediately following the completion of the Capitalisation Issue and the [REDACTED]
KHHL ^(Note 2)	Beneficial owner	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
The Trustee	Trustee	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
Ms. Chan ^(Note 2)	Founder of a discretionary trust	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
Ms. Ip ^(Note 2)	Beneficiary of a trust	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]
Ms. Ho ^(Note 4)	Interest of spouse	[REDACTED] (L) [REDACTED] (S) ^(Note 3)	[REDACTED] [REDACTED]

Notes:

- The letters "L" and "S" denote a long position and a short position in our Shares respectively.
- KHHL is owned as to 20% by Ms. Chan and as to 80% by The Trustee on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Ms. Ip is one of the beneficiaries. By virtue of the SFO, the Trustee, Ms. Chan and Ms. Ip are deemed to be interested in all the Shares held by KHHL.

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- 3 Pursuant to the Option Deeds entered into between KHHH and each of Mr. Chang and Ms. Leung, KHHH granted Call Options to Mr. Chang and Ms. Leung, entitling them to purchase from KHHH up to [REDACTED] and [REDACTED] Option Shares, representing approximately [REDACTED] and [REDACTED] of the issued share capital of our Company (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), at the exercise price of HK\$[REDACTED] per Option Share (subject to adjustment). Please refer to the paragraph headed “Grant of Call Options by KHHH to Mr. Chang and Ms. Leung” in the section headed “Directors, senior management and employees” of this document for further details of the Call Options.
- 4 Pursuant to the SFO, Ms. Ho, the spouse of Mr. Ip, is deemed to be interested in all the Shares in which Mr. Ip is deemed to be interested in.

(b) *Interests or short positions in other members of our Group*

Name of shareholder	Name of member of our Group	Nature of interest	Number of shares ^(Note)	Percentage of shareholding
Ms. Ho	I Corporation	Beneficial owner	14 (L)	20.0%
Mr. Shih	Smart Tact	Beneficial owner	922 (L)	10.0%
	Residence	Beneficial owner	300 (L)	10.0%
Mr. Lo	Residence	Interest in controlled corporation	300 (L)	10.0%
	EXE	Beneficial owner	10 (L)	10.0%

Note: The letter “L” denotes a long position in the shares.

3. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once our Shares are listed;

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- (b) none of our Directors or experts referred to under the paragraph headed "Consents of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been 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;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) save as disclosed in this document, and taking no account of Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED] and the Capitalisation Issue, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal issued voting shares of any other member of our Group;
- (f) none of the experts referred to under the paragraph headed "Consents of experts" in the section headed "Other information" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

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D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of our sole Shareholder passed on 26 September 2016. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme. In this paragraph, "Options" means the options to be granted by our Company pursuant to the terms and conditions of the Share Option Scheme.

(a) Purpose

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below) to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

(b) Conditions

The Share Option Scheme is conditional upon, among others:

- (i) the [REDACTED] of the Stock Exchange granting the [REDACTED] of, and [REDACTED], the Shares which may be issued pursuant to the exercise of the Options; and
- (ii) the commencement of trading of Shares on the Stock Exchange.

(c) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite:

- (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of our Group;
- (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group;
- (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group;

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- (iv) any provider of goods and/or services to our Group; or
- (v) any other person who the Board considers, in its sole discretion, has contributed to our Group to take up Options (together, the **"Participants"**).

(d) Acceptance of offer

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

(e) Subscription price

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is granted; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 Business Days immediately preceding the date on which an Option is granted; and (iii) the nominal value of a Share.

(f) Maximum number of Shares available for subscription

- (i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of the Shares in issue as at the [REDACTED], unless our Company obtains an approval from its shareholders pursuant to (ii) below.
- (ii) Subject to (iv) below, our Company may seek approval from its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.

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- (iii) Subject to (iv) below, our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options granted in excess of such limit are granted only to the Participants are specially approved by the Shareholders in general meeting and the Participants are specifically identified by our Company before such approval is sought. In such case, our Company shall send a circular to our Shareholders containing the information required under the GEM Listing Rules.
- (iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

(g) Conditions, restrictions or limitations on offers of Options

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Option, there are neither any performance targets that need to be achieved by the grantee before an Option could be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and the GEM Listing Rules, the Board may when making the offer of Options impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

(h) Maximum entitlement of Shares of each Participant

- (i) Subject to paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by our Shareholders in general meeting with such Participant and his or her close associates (or his or her associates if such Participant is a connected person) abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before our Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

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(i) Grant of Options to connected persons

- (i) Any grant of Options to a Participant who is a Director, chief executive or substantial Shareholder of our Company or their respective associates must be approved by our independent non-executive Directors (excluding independent non-executive Director who is the Participant).
- (ii) Where any grant of Options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, and such Option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate more than 0.1% of the relevant class of securities of our Company in issue on the date of such grant; and
 - (2) having an aggregate value, based on the closing price of the Shares as at the date of such grant, in excess of HK\$5,000,000, such proposed grant of Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned, his or her associates and all core connected persons of our Company must abstain from voting at such general meeting (except where any core connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(j) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

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(k) Transferability of Options

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 interests in favor of any third party over or in relation to any Option.

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company in our Group whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company in our Group, as the case may be, failing which it will lapse.

(m) On the death of a grantee

If the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

An Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Company and any member of our Group into disrepute).

(o) Voluntary winding-up of our Company

In the event a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall, on the same date as it despatches such notice to each member of our Company, give notice thereof to all

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grantees. Each grantee (or his or her legal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than 4 Business Days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and, in any event, no later than the business day 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. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) General offer by way of take-over

If a general or partial offer, whether by way of take-over offer, share repurchase 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 association or concert (as defined in the Takeovers Code) with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders, the grantee shall, notwithstanding any other terms on which his or her Option were granted, be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be.

(q) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each Shareholder or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme.

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(r) *Rank pari passu*

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid Shares in issue on the date on which the Option is duly exercised and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercising the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of exercising the Option.

(s) *Alteration in capital structure*

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, excluding any alteration in the capital structure of our Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to our Company or any employee, consultant or adviser to our Group or in the event of any distribution of our Company's legal assets to its Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its Shareholders for each financial year of our Company, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; or
- (ii) the subscription price,

or any combination thereof, as an independent financial adviser or the auditors of our Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the GEM Listing Rules or such other guidelines or the supplemental guidance as may be issued by the Stock Exchange from time to time, but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) *Duration of the Share Option Scheme*

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

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(u) Cancellation of Options granted

Any Option granted but not exercised may not be cancelled except with the written consent of the relevant grantee and the prior approval of our Directors. Where our Company cancels Options and offers Options to the same grantee, the offer of the grant of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by our Company as provided above.

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to extend the class of person eligible for the grant of Options or to the advantage of the Participants without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms and conditions of the Share Option Scheme must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(x) Restrictions on the time of grant of Options

Our Company shall not grant any Options after inside information has come to its knowledge until it has announced the information. In particular, it shall not grant any Option during the period commencing one month immediately before the earlier of:

- (i) the date of the board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving our Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and

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- (ii) the deadline for our Company to announce its results for any year, half year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

Where the grantee is a Director, no Option shall be granted:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(y) Present status of the Share Option Scheme

As at the date of this document, no Option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that [REDACTED] Shares are in issue on the date of commencement of dealings in the Shares on the Stock Exchange, the application to the [REDACTED] of the Stock Exchange for the [REDACTED] of, and [REDACTED] the Shares on the Stock Exchange includes the [REDACTED] Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

(z) Value of options

Our Directors consider it inappropriate to value the Options that can be granted under the Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to a certain extent would be misleading to the Shareholders if the value of the Options is calculated based on a set of speculative assumptions. However, the information on value of the Options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of relevant financial period for any annual or interim reports of our Company.

2. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) and our Company entered into the Deed of Indemnity referred to in the paragraph headed “1. Summary of material contracts” in this appendix, under which the Indemnifiers have given joint and several indemnities in favour of our Group any and all taxation falling on any member of our

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Group resulting from or by reference to any income, profits, gains earned, accrued or received on or before the [REDACTED] or any event or transaction entered into or occurring on or before the [REDACTED] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply:

- (i) to the extent that full provision or reserve has been made for such taxation in the audited accounts of our Group or the audited accounts of the relevant member of our Group for each of the two financial years ended 31 March 2016; or
- (ii) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day operations of that company or carried out, made or entered into pursuant to a legally binding commitment created on or before the [REDACTED]; or
- (iii) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group for each of the two financial years ended 31 March 2016 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (iv) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong, the taxation authority in Japan or any other relevant authority (whether in Hong Kong, Japan or any part of the world) coming into force after the [REDACTED] or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the [REDACTED] with retrospective effect.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Group whereby they would jointly and severally undertake to indemnify and at all times keep each member of our Group fully indemnified on demand from and against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group (i) as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations of any jurisdiction by any member of our Group on or before the [REDACTED]; (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) any member of our Group and/or their respective directors or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, our Group or any member of our Group (whether alone or in conjunction with some other act, omission or transaction) on or before the [REDACTED].

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The indemnity contained above shall not apply to the extent that provision has been made for such claim in the audited accounts of our Group or the audited accounts of any member of our Group for each of the two financial years ended 31 March 2016.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong and other jurisdictions in which the companies comprising our Group are incorporated.

3. Litigation

As at the Latest Practicable Date, save as disclosed in this document, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the [REDACTED] of the Stock Exchange for the [REDACTED] of, and [REDACTED], all our Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme).

New Spring Capital satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules. Altus Capital is a wholly-owned subsidiary of our Company and as such it is not independent of our Company.

Pursuant to the engagement letters entered into between our Company and each of the Joint Sponsors, we have agreed to pay New Spring Capital a fee of HK\$3.0 million and Altus Capital a fee of HK\$2.0 million to act as the Joint Sponsors of our Company in connection with the proposed [REDACTED] on GEM.

5. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company will appoint New Spring Capital as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full year commencing after the [REDACTED] or until the agreement is terminated, whichever is the earlier.

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6. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately US\$6,000.

7. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

8. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares provided that the Company does not hold any interest in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

9. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this document:

Name	Qualifications
New Spring Capital	Licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
Altus Capital	Licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Michael Li & Co.	Legal advisers as to Hong Kong laws
Hayabusa Asuka Law Offices	Legal advisers as to Japan laws
SHINEWING (HK) CPA Limited	Certified Public Accountants
KPMG Tax Corporation	Japan tax advisers
Colliers International Tokyo	Independent property valuer in Japan
Vigers Appraisal And Consulting Limited	Independent property valuer in Hong Kong

10. Consents of experts

Each of the experts named in paragraph 9 of this section has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or statement and/or the references to its name included herein in the form and context in which it is respectively included.

11. Interests of experts in our Company

None of the persons named in paragraph 9 of this section is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

12. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, 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 (Chapter 32 of the laws of Hong Kong) so far as applicable.

13. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 31 March 2016 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this document.

14. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of our subsidiaries 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 share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) Save as disclosed in this document, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2016 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) 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 24 months immediately preceding the date of this document;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (e) No founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (f) The principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) Our Directors have been advised that under the Cayman Companies Law the use of a Chinese name by our Company in conjunction with its English name does not contravene the Cayman Companies Law; and
- (i) Save as disclosed in this document, our Company has no outstanding convertible debt securities or debentures.

15. Bilingual Document

The English language and Chinese language versions of this document 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).

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

1. the written consents referred to in the paragraph headed "Consents of experts" in the section headed "Other information" in Appendix VI to this document; and
2. a copy of each of the material contracts referred to in the paragraph headed "Summary of material contracts" in the section headed "Information about our business" in Appendix VI to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co. at 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

1. the Memorandum and Articles of Association;
2. the Accountants' Report from SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this document;
3. the report from SHINEWING (HK) CPA Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;
4. the audited financial statements of the relevant Group companies for the two years ended 31 March 2016;
5. the letter, summary of values and valuation certificates relating to our property interests prepared by Vigers Appraisal And Consulting Limited for Properties in Hong Kong, the text of which is set out in Appendix III to this document;
6. the letter, summary of values and valuation certificates relating to our property interests prepared by Colliers International Tokyo for Properties in Japan, the text of which is set out in Appendix IV to this document;
7. the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in Appendix V to this document;
8. the Cayman Companies Law;

APPENDIX VII

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

9. the material contracts referred to in the paragraph headed "Summary of material contracts" in the section headed "Information about our business" in Appendix VI to this document;
10. the written consents referred to in the paragraph headed "Consents of experts" in the section headed "Other information" in Appendix VI to this document; and
11. the rules of the Share Option Scheme.