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28 April 2017

The Directors
Winfull Group Holdings Limited
Unit A, 6/F
9 Queen's Road Central
Hong Kong

Dear Sirs

We set out below our report on the financial information of Flexwood Limited (the "Target Company") which comprises the statements of financial position as at 31 March 2014, 2015 and 2016 and 31 December 2016, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016 (the "Relevant Periods"), together with a summary of significant accounting policies and other explanatory notes (the "Financial Information") for inclusion in the circular (the "Circular") dated 28 April 2017 issued by Winfull Group Holdings Limited (the "Company") in connection with the proposed acquisition of entire equity interest of the Target Company.

The Target Company was incorporated in the British Virgin Islands (the "BVI") on 30 January 2009 as a limited liability company. The principal activity of the Target Company is the provision of property investment in Hong Kong.

The Target Company has adopted 31 March as its financial year end date. The statutory financial statements of the Target Company for the years ended 31 March 2014, 2015 and 2016 have been prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Lee Wing Yin Certified Public Accountant for the years ended 31 March 2014 and 2015 and 2016.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Periods (the "Underlying Financial Statements") in accordance with the basis of preparation set out in note 2 of section II and the accounting policies set out in note 4 of section II which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, no adjustment made thereon.

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DIRECTORS RESPONSIBILITY

The directors of the Company are responsible for the preparation of the Financial Information in accordance with the basis of preparation set out in note 2 of section II and the accounting policies set out in note 4 of section II, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an independent opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 2 of section II below, gives a true and fair view of the financial position of the Target Company as at 31 March 2014, 2015 and 2016 and 31 December 2016 and of the financial performance and cash flows of the Target Company for the Relevant Periods.

UNAUDITED COMPARATIVE FINANCIAL INFORMATION

The comparative statement of comprehensive income, comparative statement of change in equity and comparative statement of cash flows of the Target Company for the nine months ended 31 December 2015 together with the notes thereon (the "Comparative Financial Information") have been extracted from the Target Company's unaudted financial information for the same period, which was prepared by the directors of the Target Company and solely for the purpose of this report. The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of Comprehensive Income

		Year ended 31 March			Nine months ended 31 December	
	Notes	2014	2015	2016	2015	2016
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	*7*	10,657	10,679	10,847	7,953	8,276
Other income	*8*	32	130	85	49	-
Administrative and other expenses		(2,432)	(2,258)	(3,616)	(2,823)	(1,281)
Finance costs	*9*	(781)	(745)	(716)	(538)	(512)
Fair value gains on investment properties	*14*	3,000	16,000	17,000	2,000	46,000
Profit before income tax	*10*	10,476	23,806	23,600	6,641	52,483
Income tax expense	*11*	(1,228)	(1,238)	(1,066)	(766)	(1,070)
Profit and total comprehensive income for the year/period		9,248	22,568	22,534	5,875	51,413

Statements of Financial Position

	Notes	As at 31 March 2014 HK$'000	As at 31 March 2015 HK$'000	As at 31 March 2016 HK$'000	As at 31 December 2016 HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment properties	14	408,000	424,000	441,000	487,000
Current assets					
Trade receivables	15	–	–	346	–
Deposits and other receivables		180	179	182	179
Cash and bank balances	16	1,705	4,712	6,281	10,508
Tax prepaid		122	–	2	–
		2,007	4,891	6,811	10,687
Current liabilities					
Accrued expenses and other payables	17	3,357	3,242	3,295	3,970
Amounts due to a director	21(b)	29,812	29,797	29,800	29,796
Bank borrowings	18	68,163	64,161	60,122	57,066
Provision for income tax		–	40	–	542
		101,332	97,240	93,217	91,374
Net current liabilities		(99,325)	(92,349)	(86,406)	(80,687)
Total assets less current liabilities		308,675	331,651	354,594	406,313
Non-current liabilities					
Deferred tax liablities	19	1,776	2,184	2,593	2,899
Net assets		306,899	329,467	352,001	403,414
EQUITY					
Share capital	20	–	–	–	–
Retained earnings		306,899	329,467	352,001	403,414
Total equity		306,899	329,467	352,001	403,414

Statements of Changes in Equity

	Share capital *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 April 2013	–	297,651	297,651
Profit and total comprehensive income for the year	–	9,248	9,248
At 31 March 2014 and 1 April 2014	–	306,899	306,899
Profit and total comprehensive income for the year	–	22,568	22,568
At 31 March 20 15 and 1 April 2015	–	329,467	329,467
Profit and total comprehensive income for the year	–	22,534	22,534
At 31 March 2016 and 1 April 2016	–	352,001	352,001
Profit and total comprehensive income for the period	–	51,413	51,413
At 31 December 2016	–	403,414	403,414
Nine months ended 31 December 2015 (unaudited)			
At 1 April 2015	–	329,467	329,467
Profit and total comprehensive income for the period	–	5,875	5,875
At 31 December 2015 (unaudited)	–	335,342	335,342

Statements of Cash Flows

	Notes	Year ended 31 March			Nine months ended 31 December	
		2014	2015	2016	2015	2016
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Cash flows from operating activities						
Profit before income tax		10,476	23,806	23,600	6,641	52,483
Adjustments for:						
Interest income	8	(32)	–	(18)	–	–
Fair value gains on investment properties	14	(3,000)	(16,000)	(17,000)	(2,000)	(46,000)
Interest expense	9	781	745	716	538	512
Operating profit before working capital changes		8,225	8,551	7,298	5,179	6,995
Decrease/(Increase) in trade receivables		361	–	(346)	–	346
(Increase)/Decrease in deposits and other receivables		(2)	1	(3)	1	3
Increase/(Decrease) in accrued expenses and other payables		141	(115)	53	1,966	675
Cash generated from operations		8,725	8,437	7,002	7,146	8,019
Tax paid		(1,282)	(668)	(699)	–	(220)
Net cash generating from operating activities		7,443	7,769	6,303	7,146	7,799
Cash flows from investing activities						
Interest received		32	–	18	–	–
Net cash generated from investing activities		32	–	18	–	–

	Notes	Year ended 31 March 2014 HK$'000	2015 HK$'000	2016 HK$'000	Nine months ended 31 December 2015 HK$'000 (Unaudited)	2016 HK$'000
Cash flows from financing activities						
Repayments to bank borrowings		(3,962)	(4,002)	(4,039)	(3,026)	(3,056)
(Repayments to)/Advances from a director		(10,997)	(15)	3	–	(4)
Interest paid		(781)	(745)	(716)	(538)	(512)
Net cash used in financing activities		(15,740)	(4,762)	(4,752)	(3,564)	(3,572)
Net (decrease)/increase in cash and cash equivalents		(8,265)	3,007	1,569	3,582	4,227
Cash and cash equivalents at beginning of year/period		9,970	1,705	4,712	4,712	6,281
Cash and cash equivalents at end of year/period		1,705	4,712	6,281	8,294	10,508
Analysis of balances of cash and cash equivalents						
Cash and bank balances		1,705	4,712	6,281	3,294	2,008
Short term bank deposits		–	–	–	5,000	8,500
Cash and cash equivalents at end of year/period	16	1,705	4,712	6,281	8,294	10,508

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Target Company was incorpoated in the BVI on 30 January 2009 with limited liability. Its registered office is located at Unit A, 6/F., 9 Queen's Road Central, Hong Kong. The principal activity of the Target Company is the provision of property investment in Hong Kong.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information and the Comparative Financial Information on page II-3 to II-27 has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations. In addition, the Financial Information includes the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosures required by the Listing Rules.

The HKICPA has issued a number of new and revised HKFRS. For the purpose of preparing this Financial Information, the Target Company has consistently adopted all applicable new and revised HKFRS which are effective for the accounting period beginning on 1 April 2016 throughout the Relevant Periods, except for any new standards or interpretations that are issued but not yet effective as mentioned in note 3.

(b) Basis of measurement and going concern assumption

The Financial Information and the Comparative Financial Information have been prepared under historical cost convention, except for investment properties, which are measured at fair value.

The Financial Information and the Comparative Financial Information have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Target Company had net current liabilities of HK$99,325,000, HK$92,349,000, HK$86,406,000 and HK$80,687,000 as at 31 March 2014, 2015 and 2016 and 31 December 2016 respectively. The going concern basis has been adopted on the basis that:

(i) the directors of the Target Company expect certain bank borrowings of HK$64,161,000, HK$60,122,000, HK$56,051,000 and HK$52,966,000 as at 31 March 2014, 2015 and 2016 and 31 December 2016 respectively granted by the banks shall not be repaid within one year after the reporting dates, based on the agreed scheduled repayment set out in the loan agreement. Such bank borrowings are classified as current as these bank borrowings contain a repayment on demand clause. The directors of the Target Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment and believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement, details of the scheduled repayment dates are set out in note 18, after taking into consideration that (i) there is no covenant stipulated in the loan agreement; and (ii) the fair values of investment properties of HK$408,000,000, HK$424,000,000, HK$441,000,000 and HK$487,000,000 as at 31 March 2014, 2015 and 2016 and 31 December 2016 respectively were much higher than the corresponding bank borrowings at each of the relevant periods. In addition, based on the past experience during the Relevant Periods, the directors of the Target Company expect that the rental income generated from these investment properties can cover the instalment payment of bank borrowings.

(ii) the undertaking from the director of the Target Company to provide continual financial support to the Target Company to meet its financial obligations as they fall due for the foreseeable future and the undertaking of the director of the Target Company not to demand repayment of debts due from the Target Company until such time when repayment will not affect the Target Company's ability to repay other creditors in the normal course of business.

Therefore, the directors of the Target Company consider that the Target Company can meet its financial obligations as they fall due for the foreseeable future and believe that the Target Company will continue as a going concern and consequently has prepared the Financial Information and the Comparative Financial Information on a going concern basis.

Should the Target Company be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the Financial Information and the Comparative Financial Information.

(c) Functional and presentation currency

The Financial Information and the Comparative Financial Information are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Target Company.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new and revised HKFRSs, potentially relevant to the Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Company.

Amendments to HKAS 7	Statement of Cash Flows[1]
Amendments to HKAS 12	Income Taxes[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Statement of Cash Flows

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Income Taxes

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

HKFRS 9 - Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial information.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 - Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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.

The directors of the Target Company have already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Target Company. The Target Company is not yet in a position to state whether these new pronouncements will result in substantial changes to the Target Company's accounting policies and Financial Information.

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(b) Leasing

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

(c) Financial instruments

(i) Financial assets

The Target Company classifies its financial assets at initial recognition, depending on the purpose for which the assets were acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Impairment loss on financial assets

The Target Company assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of loans and receivables is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realised or has been transferred to the Target Company.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

(iii) ***Financial liabilities***

The Target Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(vi) ***Derecognition***

The Target Company derecognises a financial asset when the contractual right to the future cash flows in relation to the financial asset expires or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

Where the Target Company issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(d) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Target Company's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease terms. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivables;

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Company 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.

(f) **Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the balance sheet liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity income in which case the taxes are also recognised directly in equity.

(g) **Employee benefits**

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees are required to participate in central pension scheme operated by the local municipal governments. The Target Company is required to contribute certain percentage of its payroll costs to the central pension schemes in Hong Kong.

Contributions are recognised as an expense in profit or loss as employees render services during the year/period.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year/period when the employees render the related service.

(h) 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.

(i) Segment reporting

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

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

(j) Related parties

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

- (i) has control or joint control over the Target Company;
- (ii) has significant influence over the Target Company; or
- (iii) is a member of key management personnel of the Target Company or the Target Company's parent.

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

- (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Company or an entity related to the Target Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Target Company's accounting policies, the directors of the Target 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 differ from these estimates.

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

(a) Fair value of investment properties

Investment properties are carried at their fair value. The fair value of investment properties was determined by reference to valuations conducted on these properties by the independent professional valuers using property valuation techniques which involve certain assumptions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Target Company's investment properties and corresponding adjustments to the changes in fair value reported in profit or loss and the carrying amount of these properties included in the statements of financial position.

(b) Taxation

The Target Company is subject to profits tax in Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Company recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

6. SEGMENT INFORMATION

The Target Company determines its operating segments based on the reports reviewed by the directors of the Target Company that are used to make strategic decisions. During the Relevant Periods, the Target Company manages its business mainly in a single segment, namely provision of property investment in Hong Kong. Accordingly, no operating segment information is presented.

The Target Company operates its business and maintains its assets in Hong Kong, therefore all of the Target Company's revenue are from Hong Kong and all of the Target Company's non-current assets are located in Hong Kong. Accordingly, no geographic segment information is presented.

Revenue from the major customers with whom transactions have exceeded 10% of the Target Company's revenue is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	1,680	1,680	1,680	1,120	1,260
Customer B	1,311	1,260	1,341	1,000	1,040
Customer C	–	–	1,820	1,274	1,638
Customer D	1,339	1,459	1,459	1,094	1,131
Customer E	1,262	1,283	1,387	947	1,007
Customer F	2,160	2,160	–	–	–

7. **REVENUE**

Revenue from the Target Company's principal activities during the Relevant Periods was derived from rental income from investment properties.

8. **OTHER INCOME**

	Year ended 31 March			Nine months ended 31 December	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	32	–	18	–	–
Sundry income	–	130	67	49	–
	32	130	85	49	–

9. **FINANCE COSTS**

All finance costs were interests on bank loans which include those with a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreement.

10. **PROFIT BEFORE INCOME TAX**

Profit before income tax is arrived at after charging:

	Year ended 31 March			Nine months ended 31 December	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Auditors' remuneration	3	3	3	–	–
Direct operating expenses arising from investment properties that generated rental income during the year/period	125	128	23	16	35
Direct operating expenses arisng from investment properties that did not generate rental income during the year/period	53	16	4	6	–
Employee costs (including directors' remunerations)	974	974	2,720	2,040	769

11. INCOME TAX EXPENSE

(a) The amount of taxation in the consolidated statement of comprehensive income represents:

	Year ended 31 March			Nine months ended 31 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current tax					
– Tax for the year/period	820	880	677	460	764
– Over-provision in respect of prior years	–	(50)	(20)	–	–
	820	830	657	460	764
Deferred tax *(note 19)*					
– Current year	408	408	409	306	306
Income tax expense	1,228	1,238	1,066	766	1,070

(b) Income tax expense for the Relevant Periods can be reconciled to the profit before income tax per the statements of comprehensive income as follows:

	Year ended 31 March			Nine months ended 31 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax	10,476	23,806	23,600	6,641	52,483
Tax calculated at the domestic tax rate of 16.5%	1,729	3,928	3,894	1,096	8,660
Tax effect of non-deductible items for tax purposes	176	180	140	124	79
Tax effect of non-taxable items for tax purposes	(677)	(2,820)	(2,948)	(454)	(7,669)
Over-provision in prior years	–	(50)	(20)	–	–
Income tax expense	1,228	1,238	1,066	766	1,070

12. DIVIDENDS

No dividend has been paid or declared by the Target Company during the Relevant Periods.

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13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors' remunerations

The aggregate amounts of the emoluments paid or payable to the directors of the Target Company during the Relevant Periods are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Director fees paid or payable to					
Mr. Pong Wai San Wilson	–	–	–	–	–
Mr. Pong Kwok Boon Boondy	240	240	240	180	189
Mrs. Pong Lo Shuk Yin Dorothy	240	240	2,000	1,500	189
Mrs. Pong Tung Ching Yee Helena	494	494	480	360	391
	974	974	2,720	2,040	769

There was no arrangement under which a director of the Target Company waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remunerations were paid by the Target Company to any of the directors of the Target Company as an inducement to join or upon joining the Target Company, or as compensation for loss of office.

No five highest paid individuals' emoluments is disclosed as other than directors of the Target Company, there was no other staff in the Target Company.

14. INVESTMENT PROPERTIES

The fair value of all investment properties is a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	As at 31 March			As at 31 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fair value:				
At the beginning of the year/period	405,000	408,000	424,000	441,000
Change in fair value	3,000	16,000	17,000	46,000
At the end of the year/period	408,000	424,000	441,000	487,000

All investment properties are held on long leases (over 50 years) and located in Hong Kong. As at 31 March 2014, 2015 and 2016 and 31 December 2016, all investment properties were pledged as securities for bank borrowings granted to the Target Company (note 18).

The fair values of investment properties as at 31 March 2014, 2015 and 2016 and 31 December 2016 have been arrived at on market value basis carried out by an independent valuation firm who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Fair values as at 31 March 2014, 2015 and 2016 and 31 December 2016 are determined using direct comparison approach. The comparison based on prices realised on actual sales of comparable properties is made. Comparable properties with similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

	As at 31 March			As at 31 December
	2014	**2015**	**2016**	**2016**
Significant unobservable inputs				
Quality of properties	–7% to 23%	–7% to 24%	–7% to 25%	–8% to 28%

The higher the differences in the quality of the properties and the comparable properties would result in corresponding higher or lower fair value.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, and no transfers into or out of Level 3.

There were no changes to the valuation techniques during the Relevant Periods.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

15. TRADE RECEIVABLES

Pursuant to the tenancy agreements entered with the tenants, tenants are normally required to pay one month's rent in advance.

Based on the invoice dates, all trade receivables as at 31 March 2014, 2015 and 2016 and 31 December 2016 were aged within 90 days.

All trade receivables are subject to credit risk exposure. Impairment on trade receivables is recognised when the debts are identified to be irrecoverable.

Based on the due dates, ageing analysis of trade receivables is as follows:

	As at 31 March			As at 31 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 90 days past due	–	–	346	–

Trade receivables that were less than 90 days past due were settled subsequently.

As at 31 March 2014, 2015 and 2016 and 31 December 2016, there was no amount denominated in a currency other than the functional currency of the Target Company.

The directors of the Target Company consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

16. CASH AND BANK BALANCES

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	1,705	4,712	6,281	2,008
Bank deposits with an original maturity of not more than three months	–	–	–	8,500
	1,705	4,712	6,281	10,508

Cash at banks earned interest at floating rates based on daily bank deposit rates. As at 31 December 2016, bank deposits of HK$8,500,000 carried interest at 0.7% per annum and matured on 25 January 2017.

17. ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	375	249	252	893
Other payables	2,982	2,993	3,043	3,077
	3,357	3,242	3,295	3,970

18. BANK BORROWINGS

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current portion				
– Bank borrowings due for repayment within one year	4,002	4,039	4,071	4,100
– Bank borrowings due for repayment after one year which contain a repayment on demand clause	64,161	60,122	56,051	52,966
	68,163	64,161	60,122	57,066
Effective interest rate ranged from (per annum)	1.03% to 1.15%	1.05% to 1.17%	1.10% to 1.17%	1.06% to 1.19%

The current portion included bank borrowings of HK$64,161,000, HK$60,122,000, HK$56,051,000 and HK$52,966,000 as at 31 March 2014, 2015 and 2016 and 31 December 2016 respectively that were classified as current liabilities as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due from repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

Assuming that the bank does not request the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreement, bank borrowings are due for repayments, as at each of the reporting dates, as follows:

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	4,002	4,039	4,071	4,100
In the second year	4,038	4,071	4,119	4,156
In the third to fifth year	12,359	12,504	12,651	12,762
After five years	47,764	43,547	39,281	36,048
	68,163	64,161	60,122	57,066

All bank borrowings as at 31 March 2014, 2015 and 2016 and 31 December 2016 were secured by the guarantee from one of the directors of the Target Company and the pledge of the Target Company's investment properties (note 14), and interest were charged at 0.9% per annum over 1, 2 or 3-month HIBOR with capped rate of 2.75% per annum below the prime rate.

19. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under balance sheet liability method using the rate of taxation prevailing in Hong Kong.

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accelerated tax depreciation:				
At the beginning of the year/period	1,368	1,776	2,184	2,593
Debited to profit or loss for the year/period *(note 11(a))*	408	408	409	306
At the end of the year/period	1,776	2,184	2,593	2,899

20. SHARE CAPITAL

	Number of shares	HK$
Ordinary shares of US$1 each		
Authorised:		
At 1 April 2013, 31 March 2014, 31 March 2015 and 31 March 2016 and 31 December 2016	50,000	400,000
Issue and fully paid:		
At 1 April 2013, 31 March 2014, 31 March 2015 and 31 March 2016 and 31 December 2016	1	8

21. RELATED PARTY TRANSACTIONS

(a) The following transactions were carried out with related parties during the Relevant Periods:

Type of transaction	Year ended 31 March			Nine months ended 31 December	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Rental income received from the related companies in which the sole shareholder of the Target Company has significant influence	3,840	3,840	2,040	1,480	1,260

(b) **Year-end balances with related parties**

Amounts due to a director were interest-free, unsecured and repayable on demand. The carrying values of these balances approximate their fair values.

(c) **Key management personnel**

The key management personnel of the Target Company are the directors of the Target Company. Details of the remuneration paid to them are set out in note 13 to the Financial Information.

Save as elsewhere in the Financial Information and above, there were no other related party transactions during the Relevant Periods.

22. OPERATING LEASE ARRANGEMENTS

	As at 31 March			As at 31 December
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,684	2,689	2,702	2,713

The Target Company leases its properties under operating lease arrangements which run for an initial period of two to four years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Target Company and the respective tenants. None of the leases include contingent rentals.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND FAIR VALUE MEASUREMENTS

The Target Company is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include credit risk, interest risk and liquidity risk. Details are disclosed in the notes below. The Target Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Target Company. Risk management is carried out by key management under the policies approved by the directors of the Target Company. The Target Company does not have written risk management policies. However, the directors of the Target Company meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Target Company to mitigate these risks are set out below.

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(a) **Summary of financial assets and liabilities by category**

The carrying amounts of the Target Company's financial assets and liabilities recognised in the statements of financial position at the end of each reporting period may also be categorised as follows:

	As at 31 March			As at 31 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
Trade receivables	–	–	346	–
Other receivables	4	3	6	3
Cash and bank balances	1,705	4,712	6,281	10,508
	1,709	4,715	6,633	10,511
Financial liabilities				
At amortised costs:				
Accrued expenses and other payables	3,357	3,242	3,295	3,970
Amounts due to director	29,812	29,797	29,800	29,796
Borrowings	68,163	64,161	60,122	57,066
	101,332	97,200	93,217	90,832

The fair values of the Target Company's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

(b) **Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Company. The Target Company's exposure to credit risk mainly arises from credit to tenants in the ordinary course of its business. The Target Company continuously monitors defaults of tenants and other counterparties, identified either individually or by group, and incorporate this information into its credits risk controls. The Target Company's policy is to deal only with creditworthy counterparties and tenants.

The Target Company's management considers that all the above financial assets that are not impaired under review are of good credit quantity, including those that are past due.

None of the Target Company's financial assets are secured by collateral or other credit enhancement.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) **Interest risk**

The Target Company's exposure to interest rate risk on floating interest-bearing financial liabilities mainly came from secured bank borrowings. The interest rates and repayment terms of the Target Company's borrowings are disclosed in note 18. The Target Company currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

At the end of the Relevant Periods, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Target Company's profit for the year/period and retained earnings by approximately of HK$341,000, HK$321,000, HK$301,000 and HK$285,000 for the years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016 respectively. The sensitivity analysis is prepared assuming the amount of borrowings outstanding at the reporting date was outstanding for the whole year/period.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The policies to manage interest rate risk have been followed by the Target Company since prior year and are considered to be effective.

(d) **Liquidity risk**

The Target Company is exposed to liquidity risk in respect of settlement of accounts and other payables and its financing obligations, and also in respect of its cash flows management. The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. As detailed in note 2(b) to the Financial Information, the Target Company maintains its liquidity requirements by (i) the bank will not exercise its discretion to demand immediate repayment and such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement; and (ii) the undertaking from the director of the Target Company to provide continual financial support to the Target Company to meet its financial obligations as they fall due for the foreseeable future and the undertakings of the director of the Target Company not to demand repayment of debts due from the Target Company until such time when repayment will not affect the Target Company's ability to repay other creditors in the normal course of business.

The following tables detail the Target Company's remaining contractual maturities of the Target Company's financial liabilities which are based on undiscounted cash flows and the earliest date the Target Company can be required to pay are summarised below.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000
At 31 March 2014			
Accrued expenses and other payables	3,357	3,357	3,357
Amounts due to a director	29,812	29,812	29,812
Bank borrowings	68,163	68,163	68,163
	101,332	101,332	101,332
At 31 March 2015			
Accrued expenses and other payables	3,242	3,242	3,242
Amounts due to a director	29,797	29,797	29,797
Bank borrowings	64,161	64,161	64,161
	97,200	97,200	97,200
At 31 March 2016			
Accrued expenses and other payables	3,295	3,295	3,295
Amounts due to a director	29,800	29,800	29,800
Bank borrowings	60,122	60,122	60,122
	93,217	93,217	93,217
At 31 December 2016			
Accrued expenses and other payables	3,970	3,970	3,970
Amounts due to a director	29,796	29,796	29,796
Bank borrowings	57,066	57,066	57,066
	90,832	90,832	90,832

The table that follows summarises the maturity analysis of those term loans with repayment on demand clause based on the agreed scheduled repayments set out in the loan agreement. The amounts included interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the the Target Company's financial position, the directors of the Target Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, the directors of the Target Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreement.

	Carrying amount	Total contractual undiscounted cash flow	Less than one year	More than one year but less than five years	After five years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Term loans subject to repayment on demand clause based on scheduled repayments					
31 March 2014	68,163	74,594	4,747	19,009	50,838
31 March 2015	64,161	69,847	4,747	19,015	46,085
31 March 2016	60,122	65,100	4,756	19,012	41,332
31 December 2016	57,066	61,532	4,753	19,012	37,767

24. CAPITAL MANAGEMENT

The Target Company's objectives when managing capital are:

- to safeguard the Target Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- to support the Target Company's stability and growth; and
- to provide capital for the purpose of strengthening the Target Company's risk management capability.

The Target Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Target Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Target Company has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 March 2014, 2015 and 2016 and 31 December 2016 amounted to approximately HK$306,899,000, HK$329,467,000, HK$352,001,000 and HK$403,414,000 respectively, which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

The Target Company's overall strategy in capital management remains unchanged during the Relevant Periods.

25. SUBSEQUENT EVENTS

There are no significant events occurred subsequent to 31 December 2016.

III. SUBSEQUENT FINANCIAL INFORMATION

No audited Financial Information has been prepared by the Target Company in respect of any period subsequent to 31 December 2016.

Yours faithfully,

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate number P05018

Hong Kong, 28 April 2017