THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Polytec Asset Holdings Limited, you should at once hand this circular accompanying with the form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

POLYTEC ASSET HOLDINGS LIMITED

保利達資產控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

MAJOR AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee is set out on page 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 43 of this circular. A notice convening the EGM to be held at U Banquet, 4th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong on Wednesday, 21 November 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.polytecasset.com).

Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

26 October 2018

** For identification purpose only*

CONTENTS

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

"Acquisitions"	the First Acquisition and the Second Acquisition;
"Agreements"	the First Agreement and the Second Agreement;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Business Day"	means a day on which commercial banks are open for business in Hong Kong (excluding Saturday, Sunday, public holiday and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.);
"Company"	Polytec Asset Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 208);
"Completion Date"	the date of completion of the First Agreement and the Second Agreement (as the case may be);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Acquisitions;
"Enlarged Group"	the Group as enlarged by the Acquisitions;
"First Acquisition"	the acquisition of the First Target Shares and the First Target Sale Loan by Noble Prime from the Vendor;
"First Agreement"	the sale and purchase agreement dated 22 June 2018 entered into between Noble Prime and the Vendor in relation to the First Acquisition;
"First Project"	the property development project located at Nantongwei and Shawei, Beitai Village, South District, Zhongshan City, Guangdong Province, the PRC* (中國廣東省中山市南區北台村沙園及南通尾) with a total gross floor area of approximately 587,004 sq m and a total site area of approximately 234,802 sq m;

"First Target Company"	Smart Rising Limited (雋揚有限公司), a company incorporated in the British Virgin Islands with limited liability;
"First Target Group"	the First Target Company and its subsidiaries (being the First Target HK Subsidiary and the First Target PRC Subsidiary);
"First Target HK Subsidiary"	Upway Investments Limited (雋達投資有限公司), a company incorporated in Hong Kong with limited liability;
"First Target PRC Subsidiary"	中山市雋達房地產有限公司 (Zhongshan Junda Property Co., Ltd.*), a company established in the PRC with limited liability;
"First Target Sale Loan"	HK$196,459,000, being 50% of the aggregate amount of loans, interests (if any) and other sums and indebtedness due by the First Target Group to the Vendor;
"First Target Shares"	500 ordinary shares of the First Target Company, representing 50% of the issued share capital of the First Target Company;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent committee of the Board, comprising all of the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the Acquisitions;
"Independent Financial Adviser"	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and an independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Acquisitions;
"Independent Shareholders"	Shareholders excluding those who are required to abstain from voting in the EGM;
"Intellinsight"	Intellinsight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the parent company of KDC;
"KDC"	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 34);

"KDC Share(s)"	ordinary share(s) in the capital of KDC;
"Latest Practicable Date"	23 October 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long-Stop Date"	31 December 2019, or such other date as may be agreed between Noble Prime and the Vendor in writing;
"Marble King"	Marble King International Limited, a company incorporated in the British Virgin Islands with limited liability and the parent/ immediate holding company of the Company as at the Latest Practicable Date;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
"Mr. Lam Yung Hei"	Mr. Lam Yung Hei, an executive director of KDC, the son-in-law of Mr. Or and Ms. Ng, the brother-in-law of Mr. Or Pui Kwan and the husband of Ms. Or Pui Ying, Peranza;
"Mr. Or"	Mr. Or Wai Sheun, an executive director and the chairman of KDC and the Company, the husband of Ms. Ng, the father of Mr. Or Pui Kwan and Ms. Or Pui Ying, Peranza and the father-in-law of Mr. Lam Yung Hei;
"Mr. Or Pui Kwan"	Mr. Or Pui Kwan, an executive director of KDC and the son of Mr. Or and Ms. Ng, the brother of Ms. Or Pui Ying, Peranza and the brother-in-law of Mr. Lam Yung Hei;
"Ms. Ng"	Ms. Ng Chi Man, a non-executive director of KDC, the wife of Mr. Or, the mother of Mr. Or Pui Kwan and Ms. Or Pui Ying, Peranza and the mother-in-law of Mr. Lam Yung Hei;
"Ms. Or Pui Ying, Peranza"	Ms. Or Pui Ying, Peranza, a non-executive Director, the daughter of Mr. Or and Ms. Ng, the sister of Mr. Or Pui Kwan and the wife of Mr. Lam Yung Hei;
"Noble Prime"	Noble Prime International Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Plot Ratio"	plot ratio of the First Project for development as approved by the relevant authority in the PRC, which shall not be greater than 3.5 and as at the Latest Practicable Date the plot ratio is 2.5;

"PRC"	the People's Republic of China;
"Projects"	the First Project and the Second Project;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Acquisition"	the acquisition of the Second Target Shares and the Second Target Sale Loan by Noble Prime from the Vendor;
"Second Agreement"	the sale and purchase agreement dated 22 June 2018 entered into between Noble Prime and the Vendor in relation to the Second Acquisition;
"Second Project"	the property development project located at the interchange place of Jiuzhou Road and Yingbin Road, Zhuhai City, Guangdong Province, the PRC* (中國廣東省珠海市九洲大道與迎賓大道交匯處) with a total gross floor area of approximately 179,024 sq m and a total site area of approximately 43,656 sq m consisting of the northern part and the southern part of the lands;
"Second Target Company"	Allround Holdings Limited (全能控股有限公司*), a company incorporated in the British Virgin Islands with limited liability;
"Second Target Group"	the Second Target Company and its subsidiaries (being the Second Target HK Subsidiary and the Second Target PRC Subsidiary);
"Second Target HK Subsidiary"	All Complete Limited (皓永有限公司), a company incorporated in Hong Kong with limited liability;
"Second Target PRC Subsidiary"	珠海保利達房地產開發有限公司 (Zhuhai Polytec Property Development Co., Ltd.*), a company established in the PRC with limited liability;
"Second Target Sale Loan"	HK$149,888,000, being 60% the aggregate amount of loans, interests (if any) and other sums and indebtedness due by the Second Target Group to the Vendor;
"Second Target Shares"	60 ordinary shares of the Second Target Company, representing 60% of the issued share capital of the Second Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

"Share(s)"	ordinary share(s) in the capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"sq m"	square meter;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Groups"	the First Target Group and the Second Target Group;
"Vendor"	Polytec Holdings International Limited, a company incorporated in the British Virgin Islands with limited liability and the ultimate holding company of KDC and the Company; and
"%"	per cent.

** For identification purpose only*

POLYTEC ASSET HOLDINGS LIMITED
保利達資產控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 208)

Executive Directors:
Mr. Or Wai Sheun *(Chairman)*
Mr. Yeung Kwok Kwong
Ms. Wong Yuk Ching
Ms. Chio Koc Ieng

Non-executive Directors:
Mr. Lai Ka Fai
Ms. Or Pui Ying, Peranza

Independent Non-executive Directors:
Mr. Liu Kwong Sang
Dr. Tsui Wai Ling, Carlye
Prof. Dr. Teo Geok Tien Maurice

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business:
23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

26 October 2018

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
AND
EXTRAORDINARY GENERAL MEETING

Reference is made to the joint announcement of KDC and the Company dated 22 June 2018.

The purpose of this circular is to provide, among other things, (i) further details of the Acquisitions; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the valuation reports of the Projects; and (v) a notice of the EGM.

THE ACQUISITIONS

On 22 June 2018, Noble Prime, a direct wholly-owned subsidiary of the Company, and the Vendor entered into (i) the First Agreement in relation to the First Acquisition at an initial consideration of HK$1,200,111,000 subject to adjustment; and (ii) the Second Agreement in relation to the Second Acquisition at a consideration of HK$644,378,000.

* *For identification purpose only*

The First Acquisition

On 22 June 2018, Noble Prime and the Vendor entered into the First Agreement in relation to the First Acquisition. The principal terms of the First Agreement are set out below:

Subject matter

Pursuant to the First Agreement, Noble Prime has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 1) the First Target Shares, representing 50% of the equity interest in the First Target Company; and 2) the First Target Sale Loan, representing 50% of the obligations, liabilities and debts owing or incurred by the First Target Company to the Vendor as at 31 May 2018, amounted to approximately HK$196,459,000.

The First Target Company indirectly holds the First Project. The First Project comprises a residential development to be erected on a parcel of land with a site area of approximately 234,801.70 sq m. It is expected that the development of the First Project will develop 38 blocks of high-rise residential building, 4 blocks of high-rise apartment and 150 blocks of villa comprising a total planned gross floor area of 587,004 sq m. The construction work is planned to conduct in 3 phases commencing from the third quarter of 2019, 2020 and 2021 respectively and is expected to be completed between 2021 and 2023. Such development plan is subject to further planning and government approvals before construction and is for sale purpose.

Consideration

Subject to the consideration adjustment in connection with the increase of the Plot Ratio set out in the section headed "Consideration adjustment" below, the initial consideration for the First Acquisition is HK$1,200,111,000 (the "**Initial Consideration**"), which shall be apportioned as to HK$1,003,652,000 for the First Target Shares and as to HK$196,459,000 for the First Target Sale Loan, and shall be payable in cash by Noble Prime to the Vendor in the following manner:

(1) an amount of HK$300,028,000 (representing 25% of the consideration for the First Acquisition) has been paid upon signing the First Agreement (the "**First Deposit**"); and

(2) the remaining balance of an amount of HK$900,083,000 will be payable on the Completion Date.

Upon completion of the First Acquisition, the First Deposit shall be credited towards the consideration for the First Acquisition. In the event that completion of the First Acquisition does not occur for any reason, the Vendor shall within five (5) Business Days refund the First Deposit without deduction, withholding or interest to Noble Prime.

Consideration adjustment

In the event that the Plot Ratio is increased on or before the Long-Stop Date, the Vendor shall notify Noble Prime in writing (the "**Notice**") of the new Plot Ratio and Noble Prime or the Company will appoint an independent valuer to perform a new valuation of the First Project as at 31 May 2018 based on the new Plot Ratio (the "**New Valuation**"). The Initial Consideration will then be adjusted by an amount equivalent to 50% of the increase taking into account the result of the New Valuation after deducting the tax effect to be assumed (the "**Adjusted Consideration**"). Noble Prime shall then pay the difference between the Adjusted Consideration and the Initial Consideration in cash within ten (10) Business Days after the receipt of the Notice by Noble Prime from the Vendor, subject to a cap of HK$311,912,000 which is determined based on the maximum Plot Ratio of 3.5.

The consideration for the First Acquisition was determined by the parties after arm's length negotiations with reference to, among other factors:

(1) unaudited net asset value of the First Target Group as of 31 May 2018;

(2) appreciation of properties attributable to the First Project based on the preliminary valuation as of 31 May 2018, after the tax effect to be assumed;

(3) the prevailing property market conditions in the PRC;

(4) the aggregate sum of the First Target Sale Loan; and

(5) benefits to the Company following completion of the First Acquisition.

The Company intends to fund the First Acquisition by loans from the parent company under normal commercial terms. Pursuant to a loan agreement dated 31 August 2018 entered into between the Company and Marble King, Marble King agreed to lend a loan amount of HK$4 billion at an interest rate of HIBOR plus 1.4% per annum without a specific tenure. Given such provision of financial assistance was given on normal commercial terms or better and without security of the assets of the Group, the provision of such financial assistance is fully exempt under Rule 14A.90 of the Listing Rules.

Conditions precedent

Completion of the First Agreement is conditional upon satisfaction or waiver of the following conditions:

(a) Noble Prime having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the First Target Group by Noble Prime or any of its officers, employees, agents, professional advisers or other agents;

(b) the Company having obtained the Independent Shareholders' approval of the First Agreement and the transactions contemplated under it as required under the Listing Rules;

(c) KDC having obtained the independent shareholders' approval of the First Agreement and the transactions contemplated under it as required under the Listing Rules;

(d) a valuation report of the First Project having been delivered to Noble Prime and the valuation of the First Project as at 31 May 2018 set out in such report being not less than RMB5,500,000,000 (equivalent to approximately HK$6,727,500,000);

(e) the warranties made by the Vendor remaining true and accurate in all respects and not misleading in any respect as of the Completion Date;

(f) no notice, order, judgement, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the First Agreement or which is reasonably likely to materially and adversely affect the right of Noble Prime to own the legal and beneficial title to the First Target Shares and the First Target Sale Loan, free from encumbrances, following the Completion Date; and

(g) all consents of any government or regulatory authority or of any other person that are required to be obtained in connection with the consummation of the transactions contemplated by the First Agreement shall have been duly obtained and effective as of the Completion Date.

Noble Prime may at any time waive in whole or in part and conditionally or unconditionally any of the foregoing conditions precedent (other than conditions (b) and (c) above) in writing to the Vendor.

If the conditions precedent (b) and (c) above are not satisfied on or before the Long-Stop Date or any of the other conditions precedent is not satisfied or waived on or before the Completion Date, Noble Prime may terminate the First Agreement by notice in writing to the Vendor, provided however that (a) the surviving provisions as stipulated under the First Agreement shall continue in force following the lapse of the First Agreement; and (b) the termination of the First Agreement shall be without prejudice to the rights and liabilities of any party to the First Agreement accrued prior to such termination.

Completion

Subject to the satisfaction or waiver of the foregoing conditions precedent, completion of the First Acquisition shall take place on the Completion Date. Completion of the First Acquisition is not inter-conditional upon completion of the Second Acquisition. Upon completion of the First Acquisition, the First Target Company will be owned as to 50% by Noble Prime and will not become a subsidiary of the Company. The First Target Group will be accounted for as a joint venture in the financial statements of the Company.

The Second Acquisition

On 22 June 2018, Noble Prime and the Vendor entered into the Second Agreement in relation to the Second Acquisition. The principal terms of the Second Agreement are set out below:

Subject matter

Pursuant to the Second Agreement, Noble Prime has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 1) the Second Target Shares, representing 60% of the equity interest in the Second Target Company; and 2) the Second Target Sale Loan, representing 60% of the obligations, liabilities and debts owing or incurred by the Second Target Company to the Vendor as at 31 May 2018, amounted to approximately HK$149,888,000.

The Second Target Company indirectly holds the Second Project. The Second Project comprises a planned commercial office development to be erected on two parcels of nearby land (northern part and southern part) with a total site area of approximately 43,656 sq m. It is expected that the development of the Second Project will develop in 4 blocks of hotel-style office building with bottom 3 levels of commercial portion comprising a total planned gross floor area of approximately 179,023.85 sq m. The construction work is planned to commence in the third quarter of 2019 and is expected to be completed by the end of 2021. Such development plan is subject to further planning and government approvals before construction and is for sale purpose.

Consideration

The consideration for the Second Acquisition is HK$644,378,000, which shall be apportioned as to HK$494,490,000 for the Second Target Shares and as to HK$149,888,000 for the Second Target Sale Loan and shall be payable in cash by Noble Prime to the Vendor in the following manner:

(1) an amount of HK$161,095,000 (representing 25% of the consideration for the Second Acquisition) has been paid upon signing the Second Agreement (the "**Second Deposit**"); and

(2) the remaining balance of an amount of HK$483,283,000 will be payable on the Completion Date.

Upon completion of the Second Acquisition, the Second Deposit shall be credited towards the consideration for the Second Acquisition. In the event that completion of the Second Acquisition does not occur for any reason, the Vendor shall within five (5) Business Days refund the Second Deposit without deduction, withholding or interest to Noble Prime.

The consideration for the Second Acquisition was determined by the parties after arm's length negotiations with reference to, among other factors:

(1) unaudited net asset value of the Second Target Group as of 31 May 2018;

(2) appreciation of properties attributable to the Second Project based on the preliminary valuation as of 31 May 2018, after the tax effect to be assumed;

(3) the prevailing property market conditions in the PRC;

(4) the aggregate sum of the Second Target Sale Loan; and

(5) benefits to the Company following completion of the Second Acquisition.

The Company intends to fund the Second Acquisition by loans from the parent company under normal commercial terms. Pursuant to a loan agreement dated 31 August 2018 entered into between the Company and Marble King, Marble King agreed to lend a loan amount of HK$4 billion at an interest rate of HIBOR plus 1.4% per annum without a specific tenure. Given such provision of financial assistance was given on normal commercial terms or better and without security of the assets of the Group, the provision of such financial assistance is fully exempt under Rule 14A.90 of the Listing Rules.

Conditions precedent

Completion of the Second Agreement is conditional upon satisfaction or waiver of the following conditions:

(a) Noble Prime having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Second Target Group by Noble Prime or any of its officers, employees, agents, professional advisers or other agents;

(b) the Company having obtained the Independent Shareholders' approval of the Second Agreement and the transactions contemplated under it as required under the Listing Rules;

(c) KDC having obtained the independent shareholders' approval of the Second Agreement and the transactions contemplated under it as required under the Listing Rules;

(d) a valuation report of the Second Project having been delivered to Noble Prime and the valuation of the Second Project as at 31 May 2018 set out in such report being not less than RMB2,050,000,000 (equivalent to approximately HK$2,507,523,000);

(e) the warranties made by the Vendor remaining true and accurate in all respects and not misleading in any respect as of the Completion Date;

(f) no notice, order, judgement, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Second Agreement or which is reasonably likely to materially and adversely affect the right of Noble Prime to own the legal and beneficial title to the Second Target Shares and the Second Target Sale Loan, free from encumbrances, following the Completion Date;

(g) the Second Target PRC Subsidiary having obtained the relevant PRC government approval regarding the change in use of the northern part of the Second Project from industrial use to commercial use; and

(h) all consents of any government or regulatory authority or of any other person that are required to be obtained in connection with the consummation of the transactions contemplated by the Second Agreement shall have been duly obtained and effective as of the Completion Date.

Noble Prime may at any time waive in whole or in part and conditionally or unconditionally any of the foregoing conditions precedent (other than conditions (b) and (c) above) in writing to the Vendor.

If the conditions precedent (b) and (c) above are not satisfied on or before the Long-Stop Date or any of the other conditions precedent is not satisfied or waived on or before the Completion Date, Noble Prime may terminate the Second Agreement by notice in writing to the Vendor, provided however that (a) the surviving provisions as stipulated under the Second Agreement shall continue in force following the lapse of the Second Agreement; and (b) the termination of the Second Agreement shall be without prejudice to the rights and liabilities of any party to the Second Agreement accrued prior to such termination.

Completion

Subject to the satisfaction or waiver of the foregoing conditions precedent, completion of the Second Acquisition shall take place on the Completion Date. Completion of the Second Acquisition is not inter-conditional upon completion of the First Acquisition. Upon completion of the Second Acquisition, the Second Target Company will be owned as to 60% by Noble Prime and will become a subsidiary of the Company. The financial results of the Second Target Group will be consolidated into the financial statements of the Company.

INFORMATION ON NOBLE PRIME AND THE COMPANY

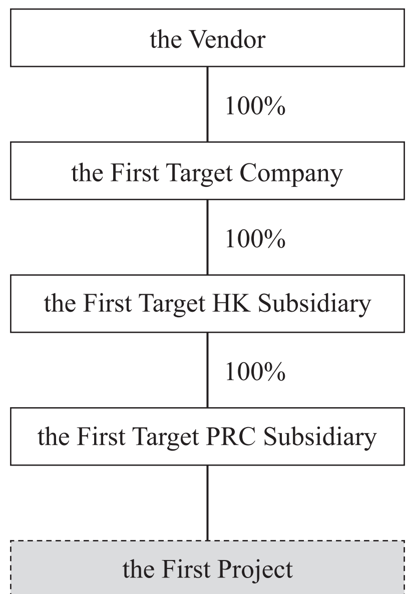
Noble Prime is a direct wholly-owned subsidiary of the Company, and is principally engaged in investment holding.

The Group is principally engaged in property investment, trading and development related activities, oil exploration and production related activities, manufacturing of ice and provision of cold storage and related services and other miscellaneous operations.

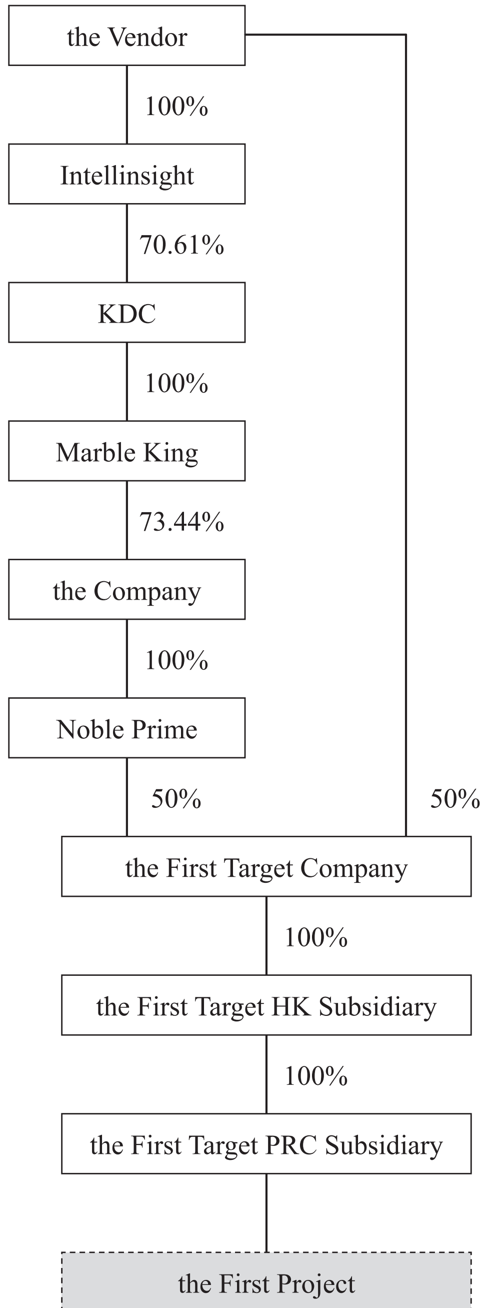
INFORMATION ON THE TARGET GROUPS

Set out below are the shareholding structures of the Target Groups before and after completion of the Acquisitions:

Before completion of the First Acquisition



Upon completion of the First Acquisition



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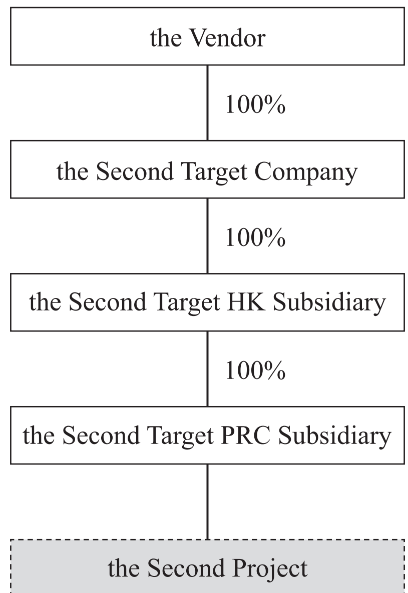
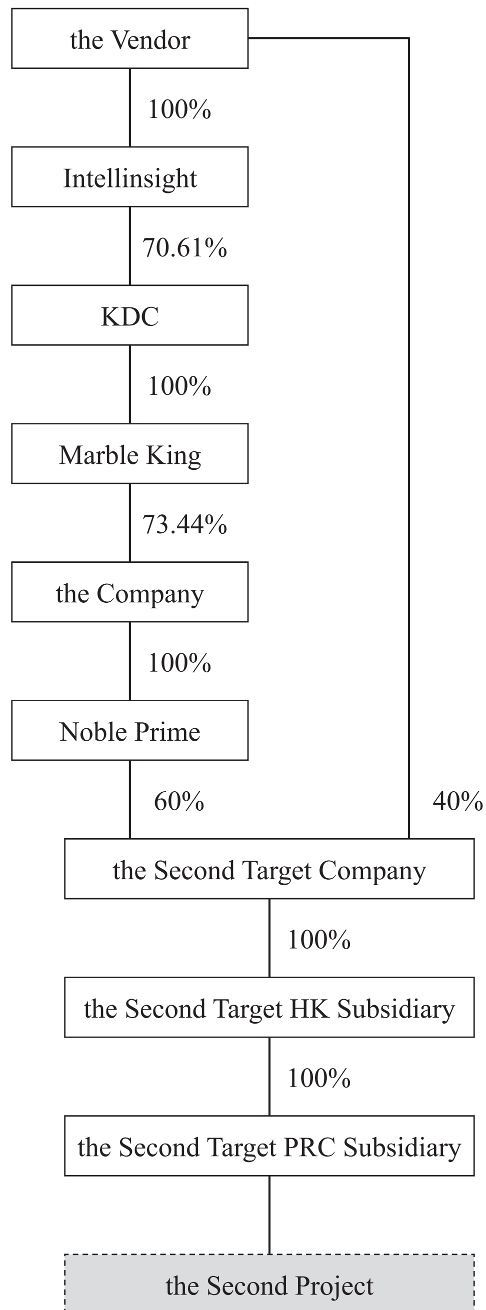


Upon completion of the Second Acquisition



FINANCIAL INFORMATION OF THE TARGET GROUPS

THE FIRST TARGET GROUP

The First Target Company and the First Target HK Subsidiary are principally engaged in investment holding. As at the Latest Practicable Date, save for the equity interests in the First Target HK Subsidiary and the First Target PRC Subsidiary, each of the First Target Company and the First Target HK Subsidiary does not have any material assets.

Set out below are the financial information extracted from the Accountants' Report on the First Target Group in appendix IIa to this circular for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Loss before taxation	1,607	1,305	4,223	859	885
Loss for the year/period	1,607	1,305	4,223	859	885

Total assets of the First Target Group mainly included the property held by the First Project. As at 31 July 2018, the market value of such property amounted to RMB 5,500 million.

As at 30 June 2018, the net liabilities of the First Target Group was HK$18,252,000.

THE SECOND TARGET GROUP

The Second Target Company and the Second Target HK Subsidiary are principally engaged in investment holding. As at the Latest Practicable Date, save for the equity interests in the Second Target HK Subsidiary and the Second Target PRC Subsidiary, each of the Second Target Company and the Second Target HK Subsidiary does not have any material assets.

Set out below are the financial information extracted from the Accountants' Report on the Second Target Group in appendix IIb to this circular for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Loss before taxation	515	703	1,538	690	966
Loss for the year/period	515	703	1,538	690	966

Total assets of the Second Target Group mainly included the property held by the Second Project. As at 31 July 2018, the market value of such property amounted to RMB 2,050 million.

As at 30 June 2018, the net assets of the Second Target Group was HK$24,030,000.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The First Target Company indirectly holds the First Project which is designated for residential and commercial uses; and the Second Target Company indirectly holds the Second Project which is targeted for commercial uses. The Acquisitions allow the Company to enhance its landbank in the PRC, especially in the Guangdong-Hong Kong-Macao Greater Bay Area. The board of the Company considers that the Acquisitions are good investment opportunities with great development potential in view of the physical locations of the Projects, local policy support, demand in properties in the vicinities and the outlook of the property market and economic development in the regions in general. The board of the Company believes that the Company will benefit from the sale and leasing of the properties in the Projects and the anticipated growth in the value of the Projects. In addition, the Vendor has a team experienced in property development and management. Through the partnership with the Vendor, the Group can leverage the resources and experience of the Vendor to facilitate the property development in the PRC.

Taking into account the aforesaid development potential, the anticipated growth in the value of the Projects through partnership with the Vendor to develop the land and the valuation reports issued by the independent property valuer, the Directors (including the independent non-executive Directors) consider that the terms of the Agreements and the Acquisitions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS IN RESPECT OF THE ACQUISITIONS

Given that the Vendor is a controlling shareholder of KDC and therefore the ultimate controlling shareholder of the Company as the Company is an indirect non-wholly owned subsidiary of KDC, the Vendor is a connected person of the Company. As two of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisitions exceed 25% but less than 100%, the Acquisitions constitute major and connected transactions for the Company under Chapter 14 and Chapter 14A of the Listing Rules which are subject to the reporting, announcement, circular and independent shareholders' approval requirements.

VOTING

Mr. Or, Ms. Ng, Mr. Or Pui Kwan and Ms. Or Pui Ying, Peranza, being the discretionary objects of the discretionary trust which ultimately owns the Vendor (and Mr. Or and Ms. Ng also being directors of the Vendor), Mr. Or, Ms. Ng, Mr. Or Pui Kwan and Mr. Lam Yung Hei (the husband of Ms. Or Pui Ying, Peranza) have abstained from voting on the relevant board resolutions of KDC approving the Acquisitions.

Mr. Or and Ms. Or Pui Ying, Peranza have abstained from voting on the relevant board resolutions of the Company approving the Acquisitions.

THE EGM

The EGM will be held on Wednesday, 21 November 2018 for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder.

As at the Latest Practicable Date, KDC is held as to approximately 70.61% by Intellinsight, a wholly-owned subsidiary of the Vendor which is wholly-owned by Ors Holdings Limited ("**OHL**"). OHL is in turn wholly-owned by a discretionary trust, the trustee of which is HSBC International Trustee Limited. As Mr. Or is the founder of the trust and the discretionary objects of the trust include Mr. Or, Ms. Ng, Mr. Or Pui Kwan and Ms. Or Pui Ying, Peranza, they are taken to be interested in the KDC Shares held by the trust. In addition, 277,500 KDC Shares, representing approximately 0.024% of the total issued share capital of KDC are held by China Dragon Limited ("**China Dragon**") which is wholly-owned by Mr. Or and 43,500 KDC Shares, representing approximately 0.0037% of the total issued share capital of KDC, are held by Mr. Or Pui Kwan. Marble King, a wholly-owned subsidiary of KDC, is a controlling shareholder of the Company holding approximately 73.44% interest of the Company and 7,000,000 Shares, representing approximately 0.16% of the total issued share capital of the Company, are held by each of Mr. Or Pui Kwan and Ms. Or Pui Ying, Peranza. Therefore, Marble King, Mr. Or Pui Kwan, Ms. Or Pui Ying, Peranza and their associates will abstain from voting in the EGM to approve the Agreements and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.polytecasset.com). Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 21 of this circular and the letter from the Independent Financial Adviser set out on pages 22 to 43 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Agreements and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of Independent Financial Adviser, is of the opinion that the terms of the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisitions are in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisitions.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreements and the Acquisitions are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisitions.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board
Polytec Asset Holdings Limited
Yeung Kwok Kwong
Managing Director

POLYTEC ASSET HOLDINGS LIMITED
保利達資產控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

26 October 2018

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 26 October 2018 (the "**Circular**") in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been authorised by the Board to advise the Independent Shareholders whether the terms of the Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned and whether the entering into the Acquisitions is in the interests of the Company and its Shareholders as a whole. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We have considered the various details of the Acquisitions, in particular, the reasons for the Acquisitions and the effect thereof. We have also reviewed the advice given by the Independent Financial Adviser on the terms of the Acquisitions as set out in its letter reproduced on pages 22 to 43 of the Circular.

Having considered the information set out in the letter from the Board and taking into account the advice from the Independent Financial Adviser, we consider the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisitions.

Yours faithfully,
Independent Board Committee
Polytec Asset Holdings Limited
Liu Kwong Sang
Tsui Wai Ling, Carlye
Teo Geok Tien Maurice

* *For identification purpose only*

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions as contemplated under the Agreements, which has been prepared for the purposes of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

26 October 2018

To the Independent Board Committee and the Independent Shareholders
Polytec Asset Holdings Limited
23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions as contemplated under the Agreements. Details of the Acquisitions are set out in the "Letter from the Board" contained in the circular of the Company dated 26 October 2018 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 22 June 2018, Noble Prime, a direct wholly-owned subsidiary of the Company, and the Vendor entered into (i) the First Agreement in relation to the First Acquisition at an initial consideration of HK$1,200,111,000 subject to adjustment; and (ii) the Second Agreement in relation to the Second Acquisition at a consideration of HK$644,378,000.

Upon completion of the Acquisitions, the First Target Company will be owned as to 50% by Noble Prime and will not become a subsidiary of the Company; and the Second Target Company will be owned as to 60% by Noble Prime and will become a non wholly-owned subsidiary of the Company. According to the Management, upon completion of the Acquisitions, the First Target Group will be accounted for as a joint venture in the financial statements of the Company and the financial results of the Second Target Group will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Vendor, through Intellinsight, owned approximately 70.61% of the issued share capital of KDC, a controlling shareholder of the Company, and is therefore the ultimate controlling shareholder of the Company. Accordingly, the Vendor is a connected person of the Company. As two of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisitions exceed 25% but less than 100%, the Acquisitions constitute major and connected transactions for the Company under Chapter 14 and Chapter 14A of the Listing Rules which are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

As at the Latest Practicable Date, Marble King, a wholly-owned subsidiary of KDC, was a controlling shareholder of the Company. In addition, 7,000,000 Shares, representing approximately 0.16% of the total issued share capital of the Company, were held by each of Mr. Or Pui Kwan and Ms. Or Pui Ying, Peranza. Therefore, Marble King, Mr. Or Pui Kwan, Ms. Or Pui Ying, Peranza and their associates will abstain from voting in the EGM to approve the Agreements and the transactions contemplated thereunder.

It is noted that save for the aforesaid and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no other Shareholder is involved or interested in the Acquisitions which requires him/her to abstain from voting on the proposed resolution(s) to approve the Acquisitions at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all three of the independent non-executive Directors, namely Mr. Liu Kwong Sang, Dr. Tsui Wai Ling, Carlye, and Prof. Dr. Teo Geok Tien Maurice, has been established to consider the terms of the Acquisitions, and to give advice and recommendation to the Independent Shareholders as to (i) whether the Acquisitions as contemplated under the Agreements were entered into in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) relating to the Acquisitions to be proposed at the EGM.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Acquisitions as contemplated under the Agreements were entered into in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) relating to the Acquisitions to be proposed at the EGM.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Agreements and the transactions contemplated thereunder is at market level and not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Agreements; (ii) the Company's annual report for the year ended 31 December 2017 (the "**FY2017 Annual Report**"); (iii) the Company's interim report for the six months ended 30 June 2018 (the "**1H FY2018 Interim Report**"); and (iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM. The Independent Shareholders will be informed as soon as practicable when we are aware of any material change in all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading at the time they were made or will be untrue, inaccurate or misleading as at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 Principal business activities of the Group and Noble Prime

The Company is an investment holding company. Its subsidiaries are principally engaged in investment in property development in Macau. Besides, its subsidiaries also engaged in property investment in Macau, oil exploration and production related business in Kazakhstan (the "**Oil Business**"), and manufacturing of ice and provision of cold storage related services in Hong Kong (the "**Ice and Cold Storage Business**").

Noble Prime is a direct wholly-owned subsidiary of the Company and is an investment holding company.

1.2 Financial information of the Group

Set out below is a summary of the financial results of the Group for the two years ended 31 December 2017 as extracted from the FY2017 Annual Report and for the six months ended 30 June 2018 as extracted from the 1H FY2018 Interim Report respectively.

	For the year ended 31 December		**For the six months ended 30 June**	
	2016	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
— Properties	—	500,000	—	180,000
— Oil	77,377	61,930	31,469	36,584
— Ice and cold storage	133,916	131,954	57,552	51,863
	211,293	693,884	89,021	268,447
Gross profit	131,993	633,370	61,636	239,371
Profit attributable to equity shareholders of the Company	59,201	269,521	48,581	648,172
Underlying profit attributable to equity shareholders of the Company *(Note 1)*	21,802	233,440	10,741	183,419

	As at 31 December 2016 HK$'000 (Audited)	2017 HK$'000 (Audited)	As at 30 June 2018 HK$'000 (Unaudited)
Cash and bank balances	170,261	271,109	265,985
Current assets	296,715	2,164,527	1,840,517
Total assets	14,619,001	14,737,694	15,337,028
Bank loans (current portion)	70,200	1,354,800	1,354,800
Current liabilities	206,034	1,483,711	1,568,036
Total liabilities	2,172,385	2,462,816	2,503,896
Net assets	12,446,616	12,274,878	12,833,132
Gearing ratio *(Note 2)*	14.7%	16.5%	15.5%

Source: FY2017 Annual Report and 1H FY2018 Interim Report

Notes:

1. For the years ended 31 December 2016 and 2017 and for the six months ended 30 June 2017, underlying profit excludes revaluation gains on investment properties. For the six months ended 30 June 2018, underlying profit excludes both revaluation gains on investment properties and fair value changes on interest in property development.

2. Gearing ratio is expressed as a percentage of total borrowings (including bank borrowings and amounts due to holding companies less cash and bank balances) over total equity of the Group.

For the year ended 31 December 2017

The Group recorded revenue of approximately HK$693.9 million, representing an increase of approximately 228.4% as compared to the revenue of approximately HK$211.3 million for the previous year. The increase was mainly due to the first batch of income received from the Group's interests in the La Marina development project in Macau of HK$500.0 million. Revenue from the Oil Business and Ice and Cold Storage Business for the two years ended 31 December 2017 remained relatively stable.

The Group's gross profit increased by approximately 379.9% for the year ended 31 December 2017 to approximately HK$633.4 million from approximately HK$132.0 million for the previous year. Such increase was primarily due to the income received from the abovementioned Macau project.

The Group recorded a profit attributable to equity shareholders of the Company of approximately HK$269.5 million for the year ended 31 December 2017, representing an increase of approximately 355.3% as compared to the profit attributable to equity shareholders of the Company of approximately HK$59.2 million for the previous year. Excluding revaluation gains from the Group's investment properties net of tax, the underlying profit attributable to equity shareholders of the Company for the year ended 31 December 2017 amounted to approximately HK$233.4 million as compared to approximately HK$21.8 million for the previous year. Such increase was primarily due to the income received from the abovementioned Macau project, but partially offset by an impairment provision for the Oil Business together with the change in its related tax amount to approximately HK$290.0 million for the year ended 31 December 2017.

The Group recorded a slight decrease of net assets of approximately 1.4% from approximately HK$12,446.6 million as at 31 December 2016 to approximately HK$12,274.9 million as at 31 December 2017. As at 31 December 2017, the Group had a gearing ratio of approximately 16.5% as compared to 14.7% in the previous year.

For the six months ended 30 June 2018

The Group recorded revenue of approximately HK$268.4 million, representing an increase of approximately 201.6% as compared to the revenue of approximately HK$89.0 million for the corresponding period of the previous year. The increase was mainly due to the second batch of income received from the Group's interests in the La Marina development project in Macau of HK$180.0 million. Revenue from the Oil Business and Ice and Cold Storage Business for the six months ended 30 June 2018 as compared to the corresponding period in 2017 remained relatively stable.

The Group's gross profit increased by approximately 288.4% for the six months ended 30 June 2018 to approximately HK$239.4 million from approximately HK$61.6 million for the corresponding period in 2017. Such increase was primarily due to the income received from the abovementioned Macau project.

The Group recorded a profit attributable to equity shareholders of the Company of approximately HK$648.2 million for the six months ended 30 June 2018, representing an increase of approximately 1,234.2% as compared to the profit attributable to equity shareholders of the Company of approximately HK$48.6 million for the corresponding period in 2017. The significant increase was mainly due to the second batch of net income received from the abovementioned Macau project, as well as fair value gains of approximately HK$447.2 million on the Group's interests in its development projects. Excluding revaluation gains from the Group's investment properties net of tax and fair value changes on interests in property development, the underlying profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 amounted to approximately HK$183.4 million as compared to approximately HK$10.7 million for the corresponding period in 2017.

The Group recorded a slight increase of net assets of approximately 4.5% from approximately HK$12,274.9 million as at 31 December 2017 to approximately HK$12,833.1 million as at 30 June 2018. As at 30 June 2018, the Group had a gearing ratio of approximately 15.5% as compared to 16.5% as at 31 December 2017.

1.3 Business outlook and prospects

1.3.1 Investment in property development

As mentioned in the 1H FY2018 Interim Report, approximately 50% of the residential units of the La Marina development project, a major property development interest of the Group located in a prime area adjacent to the Hong Kong-Zhuhai-Macau Bridge with a saleable gross floor area exceeding 174,000 sq m for the residential portion, was sold as at the end of June 2018, with total sales proceeds attributable to the Group amounting to over HK$6 billion. The remaining residential units have recently been put on to the market for sale and the Management expected the income to be received an important contribution to the Group's earnings in the second half of 2018.

With respect to the Pearl Horizon development project in Macau, another major property development interest of the Group in Macau is terminated. According to the Management, the Group will take all necessary and appropriate actions to protect its interests. In case the claim and all other possible approaches failed to protect the Group's interests, Polytec Holdings International Limited ("**Polytec Holdings**"), the ultimate controlling shareholder of the Group, is committed to indemnifying related loss incurred by the Group for the Pearl Horizon development project. Therefore, there should not have any adverse effects on the financial position of the Group due to the repossession of the development land by the Macau Government.

In February 2018, the Macau Government imposed additional property measures to further cool the residential property market. On 10 February 2018, the Monetary Authority of Macau carried out some measures to incentivize first time home buyers between the age of 21 and 44, which in turn, helped to ease the adverse impact from the aforesaid governmental measures. However, with increasing uncertainty and anticipation of adverse impacts from the trade war initiated by the US and further interest rate hikes, the market sentiment appears to be weakening and the sales activity in the property market will likely slow down over the short term with waning investor's appetite.

Going forward, it is the Group's strategy to explore investment opportunities in property development in other regions, such as the Guangdong-Hong Kong-Macao Greater Bay Area, which is in close proximity to Macau where the Group has gained investment experience in property development over the years, to develop its investment portfolio and build a solid foundation for sustainable growth.

In light of the above, we believe the transactions contemplated under the Agreements are within the ordinary and usual course of business of the Group; and is in line with the Group's strategy to explore investment opportunities in property development in the Guangdong-Hong Kong-Macao Greater Bay Area.

1.3.2 Oil Business

The Group has recorded an operating loss of approximately HK$8.7 million for the six months ended 30 June 2018. The Group will continue to assess the sustainability of the recent recovery of oil price to adjust the business strategy.

1.3.3 Property investment and the Ice and Cold Storage Business

For the six months ended 30 June 2018, the Group's share of gross rental income generated from its investment properties fell to approximately HK$41.1 million, representing a decrease of approximately 3.5% over the corresponding period of 2017. The decline in rental income was mainly due to a decrease in income from The Macau Square, in which the Company holds a 50% interest, with total rental income of the property attributable to the Group falling by approximately HK$1.5 million to approximately HK$38.1 million when compared to the same period in 2017.

The Group recorded a total operating profit for the combined ice manufacturing and cold storage of approximately HK$9.6 million for the six months ended 30 June 2018, representing a decrease of approximately 9.4% over the corresponding period in 2017. The decline in operating profit was attributable to the decrease in revenue from ice manufacturing business.

The Management expects both the investment property portfolio and Ice and Cold Storage Business will continue to generate stable income.

2. Information of the First Target Company and the Second Target Company

2.1 Overview

Further details of the Target Groups are described in the paragraph headed "Information on the Target Groups" set out in the "Letter from the Board" of the Circular.

2.2 Financial information

Further details of the financial information of the Target Groups are described in the paragraph headed "Financial information of the Target Groups" set out in the "Letter from the Board" of the Circular, in the respective Accountants' Reports on the Target Groups set out in Appendices IIa and IIb to the Circular and in the related Management Discussion and Analysis of the Target Groups set out in Appendix III to the Circular.

In summary, the First Target Group and the Second Target Group recorded net losses amounted to approximately HK$1.3 million and HK$0.7 million for the year ended 31 December 2016 respectively; approximately HK$4.2 million and HK$1.5 million for the year ended 31 December 2017 respectively; and approximately HK$0.9 million and HK$1.0 million for the six months ended 30 June 2018 respectively. The losses for each period were mainly attributable to the depreciation expenses and sundries expenses. The increase in loss for the year ended 31 December 2017 for the First Target Group was mainly due to the sales related tax expenses incurred for the transfer of land held for future development within the First Target Group. The First Target Group recorded net liabilities amounted to approximately HK$18.3 million as at 30 June 2018; whilst the Second Target Group recorded net assets amounted to approximately HK$24.0 million as at 30 June 2018. The First Target Group and Second Target Group have no operation and are holding companies for their respective property development projects.

3. Information on the Projects

3.1 Legality and development plan of the First Project

The First Project is located at Nantongwei and Shawei, Beitai Village, South District in Zhongshan City, Guangdong, the PRC. According to the Management, the development of the First Project will comprise a total planned gross floor area of approximately 587,000 sq m and it is planned for residential and commercial use.

The First Target Company has obtained the Real Estate Title Certificate of residential use. It also obtained the Zhongshan Construction Land Planning Permit of plot ratio of 2.5 with a maximum ancillary commercial use of 15.0%. As advised by the Management, the First Project is expected to build residential buildings with an aggregate gross floor area of approximately 574,000 sq m on top of podiums for commercial use with a gross floor area of approximately 13,000 sq m. The construction work will be conducted in three phases commencing from the third quarter of 2019, 2020 and 2021 respectively and is expected to be completed between 2021 and 2023.

3.2 Legality and development plan of the Second Project

The Second Project is targeted for commercial use located at the interchange place of Jiuzhou Road and Yingbin Road in Zhuhai City, Guangdong, the PRC. This project is currently divided into a northern part and southern part of the land, the northern part has 9 blocks of vacant industrial buildings pending for demolition, and the southern part is a piece of vacant land. According to the Management, the development of the Second Project will comprise a gross floor area of approximately 63,600 sq m and 115,400 sq m for commercial and office use respectively.

The Second Target Company has obtained Real Estate Title Certificate of commercial and office land use for the southern part of the land, Real Estate Title Certificate of industrial use for the northern part of the land, but has yet to obtain the commercial office land use for the northern part of the land. In July 2017, the Second Target PRC Subsidiary submitted a letter to the Zhuhai local government for rebuilding and changing the land use of the lands in the Second Project (the "**Arrangements**"). In June 2018, the Zhuhai local government responded to the letter and agreed to the Arrangements. The Zhuhai local government also instructed the Second Target PRC Subsidiary to proceed with the Arrangements once all the approvals are obtained and the Arrangements are finalised.

According to the Management, the Second Target PRC Subsidiary has commenced the application process for the Arrangement and is expected to obtain all the approvals in the next six months from the Latest Practicable Date. Also according to the PRC legal adviser of the Company, once the Arrangements are approved, demolition of the existing building located on the northern part of the piece of land may proceed; thereafter when all other necessary approvals for construction works are obtained, construction of the Second Project may commence. As advised by the Management, the Second Project is expected to build office and commercial buildings with an aggregate gross floor area of approximately 115,000 sq m for office space and approximately 64,000 sq m for commercial use. After completing the design and preconstruction, the construction work is planned to commence in the third quarter of 2019 and is expected to be completed by the end of 2021.

3.3 *Reasons for and benefits of the Acquisitions*

3.3.1 Develop the investment portfolio and an opportunity for the Group to tap into the PRC property development market

Investment in property development has always been one of the core businesses of the Group. Taking into account the business outlook and prospects of investment in property development of the Group as described under the paragraph headed "1.3 Business outlook and prospects" above, it is the Group's strategy to explore investment opportunities in property development in other regions, especially the Guangdong-Hong Kong-Macao Greater Bay Area, which is in close proximity to Macau where the Group has gained investment experience in property development over the years, to increase its land bank and build a solid foundation for sustainable growth.

3.3.2 Prime locations of the Projects

The First Project is located in the South District of Zhongshan's Zhongxin District (中心片區), a district with infrastructures suited for residential and commercial use. The Second Project is located in Gongbei Subdistrict (拱北街道) in Xiangzhou District (香洲區) of Zhuhai, the central business district with many Grade A offices and commercial buildings locate. The prime locations of the Projects allowed the Group to utilise its investment experience in various property development projects comprising residential and commercial properties in Macau (the "**Macau Projects**").

In addition to the proximity of the Projects and Macau, their linkage is enhanced by the development of different infrastructures. For instance, Guangzhou-Zhuhai intercity railway (the "**Railway**") has around 150 trains connecting Zhongshan and Zhuhai everyday and each journey only takes approximately thirty minutes to complete. Meanwhile, Macau is currently developing its Macau Light Rail Transit System which will be connected to the Railway. Upon completion of these infrastructures, the business and social environment in the three cities are expected to be highly integrated.

We have reviewed the current tender invitation in the Zhongshan Ministry of Land and Resources (中山國土資源局) and Zhuhai Ministry of Land and Resources (珠海國土資源局) (together, the "**Ministry of Lands**") and did not notice any vacant lands in the same vicinity with similar land usage as the lands in the Projects.

We have further reviewed records of successful or lapsed tenders in the Ministry of Lands and found that lands with similar location and land use are rare. Moreover, after taking into account the total site area, no comparable lands could be identified given the relatively large size of the lands in the Projects.

Hence, the Management believes and we concur that there exists ample development potential in view of the physical location of the Projects.

3.3.3 Favourable local policies

It is noted that Zhongshan has favourable policies as compared to other cities in the Pearl River Delta region. In the past few years, the PRC government launched various restrictive measures on the property market. In particular, policies imposed on the first-tier cities were more restrictive than other cities. The following table sets out a summary on the restrictive order imposed on cities in the Pearl River Delta region.

City	Local Family	Non-local Family
Zhongshan	3	2
Zhuhai	3	1
Guangzhou	2	1
Shenzhen	2	1
Foshan	2	1
Dongguan	2	2
Jiangmen	3	2

As set out in the table above, save for Jiangmen, a third-tier city, restrictive order imposed on Zhongshan is less severe. For instance, local citizens in Zhongshan are allowed to purchase 3 properties, as compared to 2 in the other cities. Hence, the local policies are favourable to the residential property market in Zhongshan compared to other cities in the Pearl River Delta region.

Besides, based on the Zhongshan City official transit network plan, the local government proposed a Light Rail to be built. A proposed light rail station in the Southern District is located within walking distance of the development site of the First Project. As a result, the transit network is expected to further enhance the transportation network of the First Project.

Taking into account the above, the Management expects and we concur the supportive local policy will boost the demand in properties in Zhongshan and Zhuhai, and the outlook of the property market and economic development in these regions.

3.3.4 Zhongshan and Zhuhai have achieved continuous economic growth and expect to enjoy further growth in their economy due to the "national strategy" to develop the Guangdong-Hong Kong-Macao Greater Bay Area

Based on the data published by the Zhongshan statistics Bureau Government Network (中山市統計政務網)[1], Zhongshan's gross domestic product ("**GDP**") for the year ended 31 December 2017 was approximately RMB345 billion, representing an increase of approximately 6.6% as compared to the previous year. Retail sales for the year ended 31 December 2017 was approximately RMB131 billion, representing an increase of approximately 8.6% as compared to the previous year.

Based on the data published by the Zhuhai statistics Information Network (珠海統計信息網)[2], Zhuhai's GDP for the year ended 31 December 2016 was approximately RMB223 billion, representing an increase of approximately 8.5% as compared to the previous year. Retail sales for the year ended 31 December 2016 was approximately RMB102 billion, representing an increase of approximately 11.0% as compared to the previous year.

[1] *Website address of Zhongshan statistics Bureau Government Network is http://www.zsstats.gov.cn/*

[2] *Website of Zhuhai statistics Information Network: http://www.stats-zh.gov.cn/*

Based on the above, the Management is optimistic about the long-term potential of Zhongshan and Zhuhai due to its overall economic growth as represented by the abovementioned growth.

Moreover, the development of the Guangdong-Hong Kong-Macao Greater Bay Area was designated as a "national strategy" in the twelfth National People's Congress. As both Zhongshan and Zhuhai are covered in the Guangdong-Hong Kong-Macau Greater Bay Area, the developments of the cities are expected to be further boosted by government policies such as the development of mega-infrastructures.

For instance, Hong Kong-Zhuhai-Macao Bridge connects Zhuhai and Hong Kong and is expected to open in the last quarter of 2018. With the reduced travel time, the bridge could promote business activities between Zhuhai and Hong Kong. Considering Hong Kong's status as a regional financial centre, the closer business relationship can create tertiary jobs opportunities and increase income of Zhuhai's citizens. In view of the above, the Management expects demand for office and commercial properties will strengthen and thereby enhance the prospects of the Second Project.

On the other hand, Shenzhen-Zhongshan Bridge connects Zhongshan and Shenzhen and is expected to be built in 2024. The bridge is estimated to enable a thirty-minute trip between the cities compared to the current two hours trip. This significantly shortened commuting time will induce Shenzhen's working population to reside in Zhongshan. Moreover, the relatively high residential cost in Shenzhen also induces Shenzhen's residences to move to the nearby cities. Taking into account the above, the Management is of the view that demand for residential properties in Zhongshan will increase and in turn will benefit the First Project.

3.3.5 Partnership with the controlling shareholder of the Company and to expand the Group's connection in Zhongshan and Zhuhai

Given that the Acquisitions will be the Group's first attempt to invest in the property development projects in the PRC, the Management considers by having a partnership with the controlling shareholder of the Company (i.e. through the acquisition of 50% and 60% interest of the First Projects and the Second Projects respectively) will provide assurance to the execution of the Projects in future and enable the Group to expand its connection in Zhongshan and Zhuhai or elsewhere in Mainland China in future to further develop its investment portfolio in property development in the PRC. The Management's strategy is to utilise the Vendor's resources to further expand their business. Since it is more cost effective and efficient to takeover a developed team than training up a new team in the PRC, the Management believes the Group can utilise the resources of the Vendor and facilitate the penetration in the property investment and property development market in the Pearl River Delta region.

3.3.6 Section summary

Taking into account (i) the Acquisitions adhere to the Group's strategy to explore investment opportunities in property development in other regions, especially the Guangdong-Hong Kong-Macao Greater Bay Area, which is in close proximity to Macau and enhance the land bank; (ii) the prime locations of the Projects provide great development potential; (iii) the favourable local policies help to boost the demand for properties in Zhongshan; (iv) the continued economic growth of Zhongshan and Zhuhai and the potential to enjoy further growth in their economy due to the "national strategy" to develop the Guangdong-Hong Kong-Macao Greater Bay Area; and (v) by having a partnership with the controlling shareholder of the Company will provide assurance to the execution of the Projects in future and enable the Group to expands its connection in Zhongshan and Zhuhai or elsewhere in Mainland China in future to further develop its investment portfolio in property development in the PRC; the Management believes and we concur that the Acquisitions are beneficial to the Company and in the interests of the Company and the Independent Shareholders as a whole.

4. The Agreements

4.1 The First Agreement

On 22 June 2018, Noble Prime and the Vendor entered into the First Agreement.

Pursuant to the First Agreement, Noble Prime has conditionally agreed to acquire and the Vendor has conditionally agreed to sell (i) the First Target Shares, representing 50% of the equity interest in the First Target Company; and (ii) the First Target Sale Loan, representing 50% of the obligations, liabilities and debts owing or incurred by the First Target Company to the Vendor as at 31 May 2018.

Completion of the First Agreement is conditional upon satisfaction or waiver of, inter alia, the following conditions:

(a) Noble Prime having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the First Target Group by Noble Prime or any of its officers, employees, agents, professional advisers or other agents;

(b) the Company having obtained the Independent Shareholders' approval of the First Agreement and the transactions contemplated under it as required under the Listing Rules; and

(c) KDC having obtained the independent shareholders' approval of the First Agreement and the transactions contemplated under it as required under the Listing Rules.

Noble Prime may at any time waive in whole or in part and conditionally or unconditionally any of the foregoing conditions precedent (other than conditions (b) and (c) above) in writing to the Vendor.

Subject to the satisfaction or waiver of the foregoing conditions precedent, completion of the First Acquisition shall take place on the Completion Date. Completion of the First Acquisition is not inter-conditional upon completion of the Second Acquisition.

For details of the principal terms of the First Agreement, please refer to the "Letter from the Board" of the Circular.

4.2 The Second Agreement

On 22 June 2018, Noble Prime and the Vendor entered into the Second Agreement.

Pursuant to the Second Agreement, Noble Prime has conditionally agreed to acquire and the Vendor has conditionally agreed to sell (i) the Second Target Shares, representing 60% of the equity interest in the Second Target Company; and (ii) the Second Target Sale Loan, representing 60% of the obligations, liabilities and debts owing or incurred by the Second Target Company to the Vendor as at 31 May 2018.

Completion of the Second Agreement is conditional upon satisfaction or waiver of, inter alia, the following conditions:

(a) Noble Prime having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Second Target Group by Noble Prime or any of its officers, employees, agents, professional advisers or other agents;

(b) the Company having obtained the Independent Shareholders' approval of the Second Agreement and the transactions contemplated under it as required under the Listing Rules; and

(c) KDC having obtained the independent shareholders' approval of the Second Agreement and the transactions contemplated under it as required under the Listing Rules.

Noble Prime may at any time waive in whole or in part and conditionally or unconditionally any of the foregoing conditions precedent (other than conditions (b) and (c) above) in writing to the Vendor.

Subject to the satisfaction or waiver of the foregoing conditions precedent, completion of the Second Acquisition shall take place on the Completion Date. Completion of the Second Acquisition is not inter-conditional upon completion of the First Acquisition.

For details of the principal terms of the Second Agreement, please refer to the "Letter from the Board" of the Circular.

When considering the reasonableness of the terms of the Agreements, we have taken into account the following factors:

4.3 The consideration

Pursuant to the Agreements, the total consideration of the First Target Shares, the First Target Sale Loan, the Second Target Shares and the Second Target Sale Loan is HK$1,844,489,000 (subject to adjustment), of which:

— subject to the consideration adjustment in connection with the increase of the Plot Ratio set out in the paragraph headed "4.3.1 First Acquisition consideration adjustment" below, the Initial Consideration for the First Acquisition is HK$1,200,111,000, which shall be apportioned:

  - — as to HK$1,003,652,000 for acquisition of the First Target Shares; and
  - — as to HK$196,459,000 for acquisition of the First Target Sale Loan.

- — the consideration for the Second Acquisition is HK$644,378,000, which shall be apportioned:
  - — as to HK$494,490,000 for the acquisition of the Second Target Shares; and
  - — as to HK$149,888,000 for the acquisition of the Second Target Sale Loan.

4.3.1 First Acquisition consideration adjustment

In the event that the Plot Ratio is increased on or before the Long-Stop Date, the Vendor shall notify Noble Prime in writing (the "**Notice**") of the new Plot Ratio and Noble Prime or the Company will appoint an independent valuer to perform a new valuation of the First Project as at 31 May 2018 based on the new Plot Ratio (the "**New Valuation**"). The Initial Consideration for the First Acquisition will then be adjusted by an amount equivalent to 50% of the increase after taking into account the result of the New Valuation after deducting the tax effect to be assumed (the "**Adjusted Consideration**"). Noble Prime shall then pay the difference between the Adjusted Consideration and the Initial Consideration in cash within ten Business Days after the receipt of the Notice by Noble Prime from the Vendor, subject to a cap of HK$311,912,000 which is determined based on the maximum Plot Ratio of 3.5.

In other words, the total consideration for the First Acquisition after adjustment will amount to HK$1,512,023,000.

4.3.2 Basis of determining the consideration for the Acquisitions

In assessing the fairness and reasonableness of the consideration for the Acquisitions, we have reviewed the basis of determining the consideration of the First Target Shares and the Second Target Shares (together, the "**Target Shares**") and the consideration of the First Target Sale Loan and the Second Target Sale Loan (together, the "**Sale Loans**").

We noted that the consideration for each of the Acquisitions was determined by the parties after arm's length negotiations with reference to, among other factors:

(1) unaudited net asset value of each of the First Target Group and the Second Target Group as of 31 May 2018;

(2) appreciation of properties attributable to each of the First Project and the Second Project based on the preliminary valuation as of 31 May 2018, after the tax effect to be assumed;

(3) the prevailing property market conditions in the PRC;

(4) the aggregate sum of each of the First Target Sale Loan and the Second Target Sale Loan; and

(5) benefits to the Company following completion of the Acquisitions.

In summary, the consideration for the Target Shares was determined by reference to, among others, the consolidated net asset values of the respective Target Groups as at 31 May 2018 as adjusted for the valuation surplus of the respective Projects; and the consideration for the Sale Loans was determined on a dollar-for-dollar basis on the aggregate amount of loans, interest (if any) and other sums and indebtedness due by the respective Target Groups to the Vendor.

Set out below is a table showing the total consideration of the Acquisitions:

	The First Target Group *HK$'000*	**The Second Target Group** *HK$'000*
Net assets as at 31 May 2018 *(Note 1)*	1,690	41,387
Property valuation surplus *(Note 2)*	2,005,614	782,763
	2,007,304	824,150
Interest to be acquired	50%	60%
Target Shares consideration	1,003,652	494,490
Debt as at 31 May 2018 *(Note 1)*	392,918	249,814
Interest to be acquired	50%	60%
Target Sale Loans consideration	196,459	149,888
Total consideration	1,200,111	644,378

Notes:

1. The information above are based upon the unaudited management accounts of each of the Target Groups for the five months ended 31 May 2018.

2. Further details regarding the property valuation surplus of the Projects are disclosed in the table headed "Property valuation surplus of the Projects" below.

As set out in the table above, the consideration for the First Acquisition was determined to be approximately HK$1,200.1 million taking into account 50% interest of (i) the First Target Group's consolidated net asset value of approximately HK$1.7 million as at 31 May 2018; (ii) property valuation surplus of the First Project of approximately HK$2,005.6 million and (iii) the value of the First Target Sale Loan of approximately HK$392.9 million.

The consideration for the Second Acquisition was determined to be approximately HK$644.4 million taking into account 60% interest of (i) the Second Target Group's consolidated net asset value of approximately HK$41.4 million as at 31 May 2018; (ii) property valuation surplus of the Second Project of approximately HK$782.8 million and (iii) the value of the Second Target Sale Loan of approximately HK$249.8 million.

The following is a table illustrating how each the revaluation surplus of each of the Projects was derived (based upon the information set out in the Valuation Reports as defined below. The following is for illustration purposes only, and does not constitute a representation that the amount of valuation surplus as at the Completion Date will be the same as set out below.

Property valuation surplus of the Projects:

	The First Project	**The Second Project**
	HK$'000	*HK$'000*
Market value as at 31 May 2018 (which is the same amount of the market value as at 31 July 2018 as disclosed in the Valuation Reports)	6,727,500	2,507,523
Book value as at 31 May 2018 *(Note 1)*	(373,973)	(290,532)
Revaluation surplus	6,353,527	2,216,991
Estimated deferred taxation		
— Land Appreciation Tax *(Note 3)*	(3,663,718)	(1,173,307)
— Corporate Income Tax *(Note 4)*	(684,195)	(260,921)
Subtotal	(4,347,913)	(1,434,228)
Valuation surplus	2,005,614	782,763

Notes:

1. The information above are based upon the unaudited management accounts of each of the Target Groups for the five months ended 31 May 2018.

2. For the purpose of illustration only, RMB is translated to HK$ at the illustrative rate of RMB1.00 = HK$1.2232.

3. The Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the market value of the land less deductible expenditure (including the land costs and all qualified property development expenditure).

4. The Corporate Income Tax is calculated at 25% on the difference between the market value of the land and the related land costs (including the Land Appreciation Tax).

As set out in the table above, each of the revaluation surplus of the Projects is arrived at by deducting the respective property's book value from its market value as estimated by Cushman & Wakefield Limited (the "**Valuer**"). According to the Management, each of the valuation surplus is arrived at having taking into account the estimated deferred taxation for Land Appreciation Tax and Corporate Income Tax regarding the respective Projects.

We also note that the Valuer has been appointed as the independent professional valuer to conduct the valuation on the Projects as at 31 July 2018, details of which are set out in the Valuation Reports of the Projects in Appendix V to the Circular.

We have interviewed the Valuer and noted that the professional responsible for signing off the Valuation Reports has 25 years' experience in the valuation of properties in the PRC. Having reviewed the scope of work details in the engagement letters of the Valuer, we are satisfied that the scope of work is sufficient and appropriate for the Acquisitions.

We have reviewed the Valuation Reports and discussed with the Valuer the methodology and the assumptions which they have adopted.

We understand from the Valuer that they have applied a direct comparison approach to derive the market value of the Projects. The direct comparison approach derived a market value as at 31 July 2018 of approximately RMB5,500.0 million (equivalent to approximately HK$6,727.5 million) for the First Project and approximately RMB2,050.0 million (equivalent to approximately HK$2,507.5 million) for the Second Project respectively.

We have also obtained from the Valuer details of the comparable transactions and it has applied to evaluate the Projects. In particular, the Valuer has referred to several transactions in similar location of the Projects. Some of the comparable transactions are adjusted where the Valuer considered appropriate. The adjustments are based on differences in locations, land uses, date of transactions, with reference to the Valuer's in house research data.

Based on our discussion with the Valuer and our review of the comparable properties that are chosen for comparison (being three in this case) were selected based on the proximity to the Projects in terms of usage, date and location. According to our review of the Valuer's data, the comparable properties are held/transacted within a period of one and a half year from the date of valuation and located within a radius of 20 kilometers from the Projects. For the First Project's comparables, they have a range of site areas of approximately 9,000 sq m to 58,000 sq m. Their business uses include residential use and residential and commercial use. For the Second Project's comparables, they have a range of site area of approximately 20,000 sq m to 100,000 sq m with business uses of residential and commercial use. We therefore are of the view that the number of transactions that are chosen for comparison is adequate and the nature and particulars of these transactions are appropriate and relevant for providing a fair and reasonable basis for the Valuer's opinion.

Furthermore, we have also reviewed and considered similar transactions conducted by listed companies on the Stock Exchange where the same approach was adopted to value various properties. The reviewed transactions include valuations commissioned by properties development companies in the PRC and were carried out between March 2018 to June 2018 on properties in the PRC. These properties have gross floor areas ranging from approximately 4,600 sq m to 798,000 sq m with values range from approximately RMB22 million (equivalent to approximately HK$25 million) to RMB4,500 million (equivalent to approximately HK$5,100 million). We noted that the methodology adopted (based on market value and comparison approach) and assumptions used (such as (i) the owner have enforceable title to the Projects and has free and uninterrupted rights to use, occupy or assign the Projects for the whole of the unexpired term as granted; and (ii) no allowance has been made in the valuation for any charges, pledges or amounts owing on the Projects nor any expenses or taxation which may be incurred in effecting a sale) are comparable to the industry.

Following our discussion with the Valuer and review the recent transactions by other listed companies, we concur with the Valuer's view that the valuation methodology adopted by the Valuer is a common practice for determining the market value of such properties located in the PRC given the availability of the market comparables and the underlying basis for valuation of the Projects is fair and reasonable.

We note from the Valuation Reports that the Real Estate Title Certificate of commercial office land for the Second Project are yet to be issued to the Second Target Group. Pursuant to the Agreements and the Vendor Undertaking, the Vendor undertakes that the costs incurred or to be incurred to obtain the relevant approvals and cost of demolition are borne by the Vendor. Therefore, no adjustment is required for deriving the valuation surplus of the Second Project.

Taking into account that (i) the net asset value of the Target Groups as at 31 May 2018 are adjusted to take into account the market value of the Projects; (ii) the valuation methodology adopted by the Valuer is a common practice for determining the market value of such properties and the underlying basis for valuation of the Projects is fair and reasonable; (iii) the costs incurred or to be incurred for the acquisition of the land use rights are borne by the Vendor; and (iv) the consideration of the Acquisitions is in fact determined based on the unaudited net assets of the respective Target Groups as at 31 May 2018, with relevant adjustments to reflect the current value of assets and liabilities, we concur with the Directors' view that the basis of determining the consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

With regard to the Sale Loans, we note that the Vendor shall, in general, transfer and assign all rights, title and interest to Noble Prime free from encumbrances together with all rights therein on a dollar-for-dollar basis. Accordingly, we are of the view that the consideration of the Sale Loans is commercially justifiable and is fair and reasonable.

4.3.3 Payment methods

Pursuant to the First Agreement, the consideration for the First Target Shares and the First Target Sale Loan shall be payable in cash by Noble Prime to the Vendor in the following manner:

- an amount of HK$300,028,000 (representing 25% of the consideration for the First Acquisition) has been paid upon signing the First Agreement (the "**First Deposit**"); and

- the remaining balance of an amount of HK$900,083,000 will be payable on the Completion Date.

Noble Prime shall pay the difference between the Adjusted Consideration and the Initial Consideration in cash within ten Business Days after the receipt of the Notice by Noble Prime from the Vendor, subject to a cap of HK$311,912,000 which is determined based on the maximum Plot Ratio of 3.5.

Pursuant to the Second Agreement, the payment for the Second Target Shares and the Second Target Sale Loan shall be payable in cash by Noble Prime to the Vendor in the following manner:

- an amount of HK$161,095,000 (representing 25% of the consideration for the Second Acquisition) has been paid upon signing the Second Agreement (the "**Second Deposit**"); and

- the remaining balance of an amount of HK$483,283,000 will be payable on the Completion Date.

In the event that the completion of the First Agreement and/or the Second Agreement does not occur for any reason, the Vendor shall within five Business Days refund the corresponding First Deposit and/or the Second Deposit without deduction, withholding or interest to Noble Prime.

4.3.4 Funding arrangement

According to the Management, the Company intends to fund the Acquisitions by loans from the parent company under normal commercial terms.

Set below are the salient terms of the loans:

Terms	**The First Project**	**The Second Project**
Principal Amount (HK$ ’000)	900,083	483,283
Interest rate	HIBOR + 1.4%	HIBOR + 1.4%
Maturity and repayment terms	No particular maturity date, but repayment will be made in 1.5 years upon written notice by the parent company	No particular maturity date, but repayment will be made in 1.5 years upon written notice by the parent company

We have reviewed the terms of the outstanding loans of the Group obtained from banks or financial institutions with a duration of two to three years. We noted that the interest rates of the shareholders’ loan are within the range of interest rates of existing bank loans. Hence, we consider the interest rates of the shareholders’ loan as fair and reasonable. In addition, such loans also required certain pledges, arrangement fees, fulfilment of covenants relating to certain of the Group’s ratios of the statement of financial position and subject to annual review. Taking into account the terms of the shareholder’s loan are better than the loans obtained by the Group from banks or financial institutions, we consider the funding arrangements as fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Management has considered alternative financing arrangements such as equity financing and debt financing. However, the Management decided not to proceed with the alternative financing arrangements after accessing the following factors:

(i) the recent volatility of the stock markets in Hong Kong and worldwide lowered the interests of the underwriters and/or potential investors, which in turn, create uncertainty to the success of raising funds from the equity market;

(ii) the Company may not be able to issue bonds at acceptable terms and/or more favourable as compared to the abovementioned loan from the immediate holding company; and

(iii) the government measures/policies to tighten control on financing property acquisition by financial institutions in the PRC which makes it difficult for the Company to obtain bank loans for the Projects.

Taking into account the above, we concur with the view of the Directors that funding the transactions by way of the shareholder’s loan over the alternative methods is in the interests of the Company and the Shareholders as a whole.

4.4 Section summary

In consideration of the above analysis, we are of the view that the terms and conditions of the Agreements are on normal commercial terms, and are fair and reasonable.

5. Possible financial effects of the Acquisitions on the Group

The financial effects of the Acquisitions, assuming completion of the Agreements took place on 30 June 2018, is set out in the Unaudited Pro Forma Financial Information of the Enlarged Group in Appendix IV to the Circular.

5.1 Cash position

The cash and bank balances of the Group were approximately HK$266.0 million as at 30 June 2018. Assuming completion of the Agreements took place on 30 June 2018, the cash and bank balances of the Enlarged Group would amount to approximately HK$267.1 million as at 30 June 2018. The cash and bank balances remained stable before and after the Acquisitions.

5.2 Earnings

The Group recorded profit attributable to equity shareholders of the Company of approximately HK$648.2 million for the six months ended 30 June 2018. Immediately upon completion of the Acquisitions, it is not expected to have an immediate earnings contribution to the Enlarged Group as the Projects will take time to develop.

5.3 Total assets, total liabilities and net asset value

As at 30 June 2018, total assets and total liabilities of the Group were approximately HK$15,337.0 million and HK$2,503.9 million respectively. Assuming completion of the Agreements took place on 30 June 2018, total assets and total liabilities of the Enlarged Group would increase to approximately HK$17,148.9 million (representing an increase of approximately 11.8%) and HK$3,987.9 million (representing an increase of approximately 59.3%) respectively.

Net assets of the Group was approximately HK$12,833.1 million as at 30 June 2018. Assuming the completion of the Agreements took place on 30 June 2018, net assets of the Enlarged Group would be approximately HK$13,161.0 million, representing a slight increase of approximately 2.6%.

5.4 Gearing ratio

As at 30 June 2018, the Group had a gearing ratio of approximately 15.5% expressed as a percentage of total borrowings (including bank borrowings and amounts due to holding companies) less cash and bank balances over the total equity of the Group. Assuming completion of the Agreements took place on 30 June 2018, the gearing ratio of the Enlarged Group would increase to approximately 26.4%.

5.5 Working capital

According to the Management, taking into account the financial resources available to the Enlarged Group, including the internally generated funds and the available credit facilities, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the Circular.

5.6 Section summary

Notwithstanding that the gearing ratio will be increased from 15.5% to 26.4%, such level of increase is acceptable given that (i) the Acquisitions adhere to the Group's development; and (ii) the funding arrangements and the terms of which are better than the loans obtained by the Group from banks or financial institutions, we are of the view that the Acquisitions are in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Acquisitions as contemplated under the Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole; and (ii) the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) approving the Acquisitions and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has about 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

1. FINANCIAL SUMMARY

The audited consolidated financial statements of the Group prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the three financial years ended 31 December 2017 together with the relevant notes thereto can be found from pages 43 to 102 of the annual report of the Company for the year ended 31 December 2015, pages 48 to 106 of the annual report of the Company for the year ended 31 December 2016, and pages 52 to 110 of the annual report of the Company for the year ended 31 December 2017, respectively. The management discussion and analysis of the Company for the years ended 31 December 2015, 2016 and 2017 are disclosed in the published annual reports of the Company for the relevant years.

Each of the said audited consolidated financial statements of the Group for the three financial years ended 31 December 2017 is incorporated by reference to this circular and forms part of this circular. The said annual reports of the Company are available on the Company's website at www.polytecasset.com and the website of the Stock Exchange at www.hkexnews.hk.

Please also see below the links to the annual reports of the Company:

Annual Report 2017:

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN201804261937.pdf

Annual Report 2016:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0426/LTN20170426633.pdf

Annual Report 2015:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN20160427626.pdf

2. INDEBTEDNESS STATEMENT

At the close of business on 31 August 2018, the Enlarged Group had outstanding borrowings of approximately HK$2,069.5 million, comprising secured bank loans of approximately HK$1,354.8 million, unsecured amount due to the ultimate holding company of approximately HK$100.9 million and unsecured amount due to the immediate holding company of approximately HK$613.8 million.

The bank loans were secured by the Enlarged Group's leasehold land and buildings, the joint venture's investment properties and the corporate guarantees provided by the Company.

Save as aforesaid and apart from intra-group liabilities and trade payables in the normal course of business, at the close of business on 31 August 2018, the Enlarged Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY STATEMENT

Taking into account the financial resources available to the Enlarged Group, including the internally generated funds and the available credit facilities, the Directors are of the opinion that the working capital available to the Enlarged Group is sufficient for its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group was made up, to and including the Latest Practicable Date.

5. FOREIGN EXCHANGE

Apart from the Group's oil business, the majority of the Group's sales and purchases are denominated in Hong Kong dollars and Macau Patacas. Due to the fact that the Macau Pataca is pegged to the Hong Kong dollar, the Group's exposure to this foreign exchange risk is relatively low. In respect of the Group's oil business in Kazakhstan, the Group is exposed to the exchange fluctuations in the Tenge ("**KZT**"), the local currency of Kazakhstan, because the majority of operating expenses and capital expenditure are denominated in KZT, while a significant portion of its revenue is denominated in United States dollars. As at the Latest Practicable Date, the Group did not have any outstanding financial instruments entered into for hedging purposes. Nevertheless, the Group is closely monitoring its overall foreign exchange exposure and interest rate exposure and will adopt a proactive but prudent approach to minimise the relevant exposures when necessary.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Both the Group's investment property portfolio in Macau and ice manufacturing and cold storage business in Hong Kong are expected to generate stable income for the second half of 2018. In regards to the oil segment, the Group will continue to assess the sustainability of the recent recovery of oil prices to adjust the business strategy.

Going forward, the Group will continue to actively explore more quality development projects in Mainland China, mainly within the Greater Bay Area, aiming to build a solid foundation to support sustainable growth of the Group's results in the coming years.

Looking forward to the second half of 2018, as the La Marina development project has recorded satisfactory sales in the first half of 2018 and further sales proceeds are expected to be collected gradually throughout the second half of 2018 increasing available income for distribution, barring unforeseen circumstances, the Group's results for 2018 are expected to achieve substantial growth compared to that of 2017.

The following is the text of a report, prepared for the purpose of incorporation in this circular received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF POLYTEC ASSET HOLDINGS LIMITED

Introduction

We report on the historical financial information of Smart Rising Limited ("**Smart Rising**" or the "**First Target Company**") and its subsidiaries (together, the "**First Target Group**") set out on pages IIa-4 to IIa-28, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIa-4 to IIa-28 forms an integral part of this report, which has been prepared for inclusion in the circular of Polytec Asset Holdings Limited (the "**Company**") dated 26 October 2018 (the "**Circular**") in connection with the acquisition of the 50% equity interest in Smart Rising (the "**First Acquisition**") by the Company.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the First Target Group's financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the First Target Group which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2017 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information.

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

Adjustments

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 October 2018

HISTORICAL FINANCIAL INFORMATION OF THE FIRST TARGET GROUP

Set out below is the Historical Financial Information of the First Target Group which forms an integral part of this accountants' report.

The consolidated financial statements of the First Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

A HISTORICAL FINANCIAL INFORMATION OF FIRST TARGET GROUP

1 Consolidated income statements

(Expressed in Hong Kong dollars)

	Section B Note	Year ended 31 December 2015	2016	2017	Six months ended 30 June 2017	2018
		$'000	*$'000*	*$'000*	*$'000* (Unaudited)	*$'000*
Other revenue	*3*	—	—	54	1	5
Other net income/(expense)	*4*	244	480	(619)	(228)	—
Other operating expenses		(1,851)	(1,785)	(3,658)	(632)	(890)
Loss before taxation	*5*	(1,607)	(1,305)	(4,223)	(859)	(885)
Income tax	*6(a)*	—	—	—	—	—
Loss for the year/period		(1,607)	(1,305)	(4,223)	(859)	(885)

2 Consolidated statements of comprehensive income

(Expressed in Hong Kong dollars)

	Section B Note	Year ended 31 December 2015 $'000	Year ended 31 December 2016 $'000	Year ended 31 December 2017 $'000	Six months ended 30 June 2017 $'000 (Unaudited)	Six months ended 30 June 2018 $'000
Loss for the year/period		(1,607)	(1,305)	(4,223)	(859)	(885)
Other comprehensive income for the year/period						
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		110	149	(107)	(61)	(871)
Total comprehensive income for the year/period		(1,497)	(1,156)	(4,330)	(920)	(1,756)

3 Consolidated statements of financial position

(Expressed in Hong Kong dollars)

	Section B Note	As at 31 December 2015 $'000	2016 $'000	2017 $'000	As at 30 June 2018 $'000
Non-current assets					
Property, plant and equipment	*9*	—	—	—	52
Deferred tax assets	*8*	—	—	121,010	119,978
		—	—	121,010	120,030
Current assets					
Inventories	*10*	221,687	221,610	230,966	229,869
Other receivables and prepayments	*11*	—	—	15,369	15,680
Amount due from a fellow subsidiary	*13*	—	559	837	—
Cash and bank balances		1,865	1,758	4,374	4,113
		223,552	223,927	251,546	249,662
Current liabilities					
Trade and other payables	*12*	6,828	7,534	221	160
Amount due to the ultimate holding company	*14*	3,752	3,514	9,742	387,784
Amounts due to fellow subsidiaries	*14*	223,982	225,045	379,089	—
		234,562	236,093	389,052	387,944
Net current liabilities		(11,010)	(12,166)	(137,506)	(138,282)
NET LIABILITIES		(11,010)	(12,166)	(16,496)	(18,252)
CAPITAL AND RESERVES	*17*				
Share capital	*17(b)*	8	8	8	8
Reserves		(11,018)	(12,174)	(16,504)	(18,260)
TOTAL DEFICIT		(11,010)	(12,166)	(16,496)	(18,252)

4 Consolidated statements of changes in equity

(Expressed in Hong Kong dollars)

	Share capital $'000	Exchange reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2015	8	2	(9,523)	(9,513)
Changes in equity for 2015:				
Loss for the year	—	—	(1,607)	(1,607)
Other comprehensive income	—	110	—	110
Total comprehensive income	—	110	(1,607)	(1,497)
At 31 December 2015 and 1 January 2016	8	112	(11,130)	(11,010)
Changes in equity for 2016:				
Loss for the year	—	—	(1,305)	(1,305)
Other comprehensive income	—	149	—	149
Total comprehensive income	—	149	(1,305)	(1,156)
At 31 December 2016 and 1 January 2017	8	261	(12,435)	(12,166)
Changes in equity for 2017:				
Loss for the year	—	—	(4,223)	(4,223)
Other comprehensive income	—	(107)	—	(107)
Total comprehensive income	—	(107)	(4,223)	(4,330)
At 31 December 2017 and 1 January 2018	8	154	(16,658)	(16,496)
Changes in equity for the six months ended 30 June 2018:				
Loss for the period	—	—	(885)	(885)
Other comprehensive income	—	(871)	—	(871)
Total comprehensive income	—	(871)	(885)	(1,756)
At 30 June 2018	8	(717)	(17,543)	(18,252)
At 1 January 2017	8	261	(12,435)	(12,166)
Changes in equity for the six months ended 30 June 2017:				
Loss for the period (unaudited)	—	—	(859)	(859)
Other comprehensive income (unaudited)	—	(61)	—	(61)
Total comprehensive income (unaudited)	—	(61)	(859)	(920)
At 30 June 2017 (unaudited)	8	200	(13,294)	(13,086)

5 Consolidated cash flow statements

(Expressed in Hong Kong dollars)

	Section B Note	Year ended 31 December 2015 $'000	2016 $'000	2017 $'000	Six months ended 30 June 2017 $'000 (Unaudited)	2018 $'000
Loss before taxation		(1,607)	(1,305)	(4,223)	(859)	(885)
Adjustment for:						
Depreciation	5(b)	2	—	—	—	1
Interest income	3	—	—	(54)	(1)	(5)
Operating loss before working capital changes:		(1,605)	(1,305)	(4,277)	(860)	(889)
Increase in inventories		—	(1)	(9,271)	—	(11)
Increase in other receivables and prepayments		—	—	(15,369)	(29)	(311)
Increase/(decrease) in trade and other payables		1,358	1,194	(7,564)	568	(62)
Cash used in operations		(247)	(112)	(36,481)	(321)	(1,273)
Interest received		—	—	54	1	5
Tax paid		—	—	(121,010)	—	—
Net cash used in operating activities		(247)	(112)	(157,437)	(320)	(1,268)
Investing activities						
Decrease in amount due from a fellow subsidiary		—	(584)	(231)	—	—
Additions to property, plant and equipment		—	—	—	—	(55)
Net cash used in investing activities		—	(584)	(231)	—	(55)
Financing activities						
Increase/(decrease) in amounts due to the ultimate holding company	16	584	—	5,771	—	(9,857)
(Decrease)/increase in amounts due to fellow subsidiaries	16	(257)	705	154,305	—	10,948

	Section B Note	Year ended 31 December 2015 $'000	2016 $'000	2017 $'000	Six months ended 30 June 2017 $'000 (Unaudited)	2018 $'000
Net cash generated from financing activities		327	705	160,076	—	1,091
Net increase/(decrease) in cash and cash equivalents		80	9	2,408	(320)	(232)
Cash and cash equivalents at the beginning of the year/period		1,890	1,865	1,758	1,758	4,374
Effect of foreign exchange rate changes		(105)	(116)	208	47	(29)
Cash and cash equivalents at the end of the year/period		1,865	1,758	4,374	1,485	4,113
Analysis of balance of cash and cash equivalents at the end of the year/period						
Cash and bank balances		1,865	1,758	4,374	1,485	4,113
Cash and cash equivalents		1,865	1,758	4,374	1,485	4,113

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1 GENERAL INFORMATION

The First Target Company was incorporated in the British Virgin Islands with limited liability by shares on 17 November 2009 under the BVI Business Companies Act, 2004. The registered office of the First Target Company is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The First Target Company is an investment holding company and its subsidiaries are involved in property development in the People's Republic of China ("**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the significant accounting policies adopted are set out below.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the First Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 January 2018. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after 1 January 2018 are set out in note 24.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information for the six months ended 30 June 2017 has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

(b) Basis of preparation

Notwithstanding the First Target Group had net liabilities of $11,010,000, $12,166,000, $16,496,000 and $18,252,000 as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively, the Historical Financial Information has been prepared on going concern basis as Polytec Holdings International Limited, the ultimate holding company, has undertaken to provide continuing financial support as is necessary to maintain the First Target Group as a going concern and to enable it to meet its liabilities as and when they fall due.

(c) Basis of measurement

The Historical Financial Information is presented in Hong Kong Dollars ("**$**"), rounded to the nearest thousand, which is the First Target Company's functional currency. Each entity comprising the First Target Group determines its own functional currency.

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

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the First Target Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 22.

(e) Interest in subsidiaries

Subsidiaries are entities controlled by the First Target Group. The First Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the First Target Group has the power, only substantive rights (held by the First Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the First Target Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the First Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

In the First Target Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii));

Depreciation is calculated on a straight line method to write off the assets over their estimated useful lives as follows:

—	Furniture and fixtures	2 to 5 years

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

(g) Inventories

Land held for future development is stated at the lower of cost and the estimated net realisable value. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

For financial assets measured at amortised cost, the allowance for expected credit losses is measured at an amount equal to lifetime expected credit losses, except for other receivables on which the credit risk has not increased significantly since their initial recognition, where the loss allowance is measured as 12-month expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the First Target Group in accordance with the contract and the cash flows that the First Target Group expects to receive), unless the other receivables are credit-impaired at the end of the reporting period where expected credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

At the end of each reporting period, the First Target Group assesses whether other receivables are credit-impaired (i.e. when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred, such as significant financial difficulty of the debtor).

The allowance for expected credit losses is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The adjustment to the allowance for credit losses is recognised in profit or loss, as an impairment or reversal of impairment.

Other receivables are written off when there is no realistic prospect of recovery.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

— property, plant and equipment; and

— investment in a subsidiary in the First Target Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

(h) Credit losses and impairment of assets (Continued)

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(h)(i)).

(j) Trade and other payables

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Borrowings

Borrowings are recognised initially at fair value and subsequently stated at amortised cost. Any difference between the amount initially recognised and the redemption value is amortised to the income statement or the cost of the qualifying assets over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development costs financed out of general working capital, to the average rate thereof.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the First Target Group operates in Mainland China are charged to profit or loss as and when incurred.

(n) Income tax

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

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

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

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(o) Revenue recognition

Interest income is recognised on a time-apportionment basis throughout the life of the asset concern.

(p) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(q) Provisions and contingent liabilities

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

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

(r) Related parties

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

(1) has control or joint control over the First Target Group;

(2) has significant influence over the First Target Group; or

(3) is a member of the key management personnel of the First Target Group or the First Target Group's parent.

(ii) An entity is related to the First Target Group if any of the following conditions applies:

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

(2) 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).

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

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

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

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

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the First Target Group or to the First Target Group'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.

3 OTHER REVENUE

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Bank interest income	—	—	54	1	5

4 OTHER NET INCOME/(EXPENSE)

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Net exchange gain/(loss)	244	480	(619)	(228)	—

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
(a) Staff costs					
Salaries, wages and other benefits	430	465	400	185	313
Contributions to defined contribution retirement plans	24	26	29	13	17
	454	491	429	198	330
(b) Other item					
Depreciation	2	—	—	—	1

6 INCOME TAX

(a) Income tax in the consolidated income statements represents:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Current tax					
Provision for the year/period	—	—	30,524	—	—
Provision for Land Appreciation Tax ("**LAT**")	—	—	90,486	—	—
Deferred tax	—	—	121,010	—	—
Origination and reversal of temporary differences	—	—	(121,010)	—	—
	—	—	—	—	—

No provision has been made for Hong Kong Profits Tax as the First Target Group did not earn any assessable profits in Hong Kong during the Relevant Periods.

The provision for PRC Corporate Income Tax ("**CIT**") is based on the respective applicable CIT rate on the estimated assessable profits of the First Target Group as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable CIT rate was 25% for the Relevant Periods.

LAT is levied on properties for sale in the PRC, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sale of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditure.

On 22 December 2017, land held for future development of Upway Investments Limited was transferred to Zhongshan Junda Property Co., Ltd. as capital injection of RMB250,000,000. As a result, CIT and LAT of $30,524,000 and $90,486,000 were paid, respectively.

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Loss before taxation	(1,607)	(1,305)	(4,223)	(859)	(885)
Tax at applicable tax rates	(401)	(324)	(1,054)	(215)	(221)
Effect of non-deductible expenses	401	324	1,054	215	221
Actual tax expense	—	—	—	—	—

7 DIRECTORS' EMOLUMENTS

During the Relevant Periods, no fees, salaries, allowances and other benefits, performance related bonuses, and provident fund contributions were paid to directors of the First Target Group.

8 DEFERRED TAX ASSETS

Deferred tax arising from:	**Unrealised gain on intra-group transaction** *$'000*
At 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016 and 1 January 2017	—
Credited to income statement	121,010
At 31 December 2017 and 1 January 2018	121,010
Exchange adjustments	(1,032)
At 30 June 2018	119,978

9 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *$'000*
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018	6
Additions	55
Exchange adjustments	(2)
At 30 June 2018	59
Accumulated depreciation:	
At 1 January 2015	4
Charge for the year	2
At 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018	6
Charge for the period	1
At 30 June 2018	7
Net book value:	
At 31 December 2015	—
At 31 December 2016	—
At 31 December 2017	—
At 30 June 2018	52

10 INVENTORIES

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	$'000	*$'000*	*$'000*	*$'000*
Land held for future development	221,687	221,610	230,966	229,869

The analysis of carrying value of land under inventories is as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	$'000	*$'000*	*$'000*	*$'000*
In the PRC				
— under medium-term leases	221,687	221,610	230,966	229,869

11 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	$'000	*$'000*	*$'000*	*$'000*
Other receivables	—	—	107	427
Prepaid tax	—	—	15,262	15,253
	—	—	15,369	15,680

12 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	$'000	*$'000*	*$'000*	*$'000*
Creditors and accrued charges	6,828	7,534	221	160

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

13 AMOUNT DUE FROM A FELLOW SUBSIDIARY

Amount due from a fellow subsidiary is unsecured, interest-free and recoverable on demand.

14 AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

Amounts due to the ultimate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

15 INTERESTS IN SUBSIDIARIES

As at 31 December 2015, 2016, 2017 and 30 June 2018, particulars of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operation	Date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
				Direct	Indirect	
Upway Investments Limited	Hong Kong	3 January 2001	$2	100%	—	Investment holding
Zhongshan Junda Property Co., Ltd. (中山市雋達房地產有限公司)	PRC	14 February 2012	RMB250,000,000	—	100%	Property development

16 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to the ultimate holding company	Amounts due to fellow subsidiaries	Total
	$'000	*$'000*	*$'000*
At 1 January 2015	3,351	224,043	227,394
Cash flows, net	584	(257)	327
Other change:			
Exchange adjustments	(183)	196	13
At 31 December 2015 and 1 January 2016	3,752	223,982	227,734
Cash flows, net	—	705	705
Other change:			
Exchange adjustments	(238)	358	120
At 31 December 2016 and 1 January 2017	3,514	225,045	228,559
Cash flows, net	5,771	154,305	160,076
Other change:			
Exchange adjustments	457	(261)	196
At 31 December 2017 and 1 January 2018	9,742	379,089	388,831
Cash flows, net	(9,857)	10,948	1,091
Other changes:			
Exchange adjustments	107	(1,415)	(1,308)
Assignment of intercompany balances	387,792	(388,622)	(830)
Total other changes	387,899	(390,037)	(2,138)
At 30 June 2018	387,784	—	387,784
At 1 January 2017	3,514	225,045	228,559
Cash flows, net (unaudited)	—	—	—
Other change:			
Exchange adjustments (unaudited)	109	53	162
At 30 June 2017 (unaudited)	3,623	225,098	228,721

17 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the First Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the First Target Company's individual components of equity between the beginning and the end of the year/period are set out below:

	Share capital	Accumulated losses	Total
	$'000	*$'000*	*$'000*
At 1 January 2015	8	(36,290)	(36,282)
Loss and total comprehensive income for the year	—	(5)	(5)
At 31 December 2015 and 1 January 2016	8	(36,295)	(36,287)
Loss and total comprehensive income for the year	—	(5)	(5)
At 31 December 2016 and 1 January 2017	8	(36,300)	(36,292)
Loss and total comprehensive income for the year	—	(5)	(5)
At 31 December 2017 and 1 January 2018	8	(36,305)	(36,297)
Loss and total comprehensive income for the period	—	(3)	(3)
At 30 June 2018	8	(36,308)	(36,300)
At 1 January 2017	8	(36,300)	(36,292)
Loss and total comprehensive income for the period (unaudited)	—	—	—
At 30 June 2017 (unaudited)	8	(36,300)	(36,292)

(b) Share capital

	The First Target Company							
	2015		2016		2017		2018	
	No. of shares	*Amount $'000*	*No. of shares*	*Amount $'000*	*No. of shares*	*Amount $'000*	*No. of shares*	*Amount $'000*
Authorised — ordinary shares of US$1 each:								
At the beginning and the end of the year/period	50,000	390	50,000	390	50,000	390	50,000	390
Ordinary shares, issued and fully paid:								
At the beginning and the end of the year/period	1,000	8	1,000	8	1,000	8	1,000	8

17 CAPITAL AND RESERVES (Continued)

(c) Capital management

The First Target Group's primary objectives when managing capital are to safeguard the First Target Group's ability to continue as a going concern, in order to provide returns for shareholders. As the First Target Group is part of a larger group, the First Target Group's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The First Target Group actively and regularly reviews and manages its capital structure to maintain the First Target Group's ability to continue as a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

18 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The First Target Group is exposed to credit, liquidity and currency risks which arise in the normal course of the First Target Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by the First Target Group.

(a) Credit risk

The First Target Group's credit risk is primarily attributable to bank deposits. The First Target Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash at bank is placed with financial institutions with sound credit ratings to minimise credit exposure.

The management considers that related parties are under influence of the ultimate holding company, hence no material credit risk exists on amounts due from related companies. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The First Target Group does not provide any guarantees which would expose the First Target Group to credit risk.

(b) Liquidity risk

The First Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate funding from its group companies to meet its liquidity requirements in the short and longer term.

At the end of each reporting period, the remaining contractual maturities of the First Target Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the First Target Group can be required to pay, were all within one year or on demand.

(c) Currency risk

The First Target Group owns assets and conducts its business mainly in Mainland China. The First Target Group's primary foreign currency exposures arise from its direct property development in Mainland China. The First Target Group is mainly exposed to the effects of fluctuation in Renminbi. Where appropriate and cost efficient, the First Target Group seeks to finance these investments by Renminbi borrowings and as future returns from these investments are denominated in Renminbi, exposure to Renminbi currency risk is minimised.

Management considers this risk is insignificant to the First Target Group as a whole but still manages and monitors this risk to ensure that its net exposure is kept to an acceptable low level.

18 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Fair value of financial assets and liabilities

The carrying amounts of the First Target Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at the end of each reporting period.

19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the First Target Group did not enter into any other material related party transactions during the Relevant Periods.

20 COMPANY-LEVEL STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Note	**2015**	**2016**	**2017**	**2018**
		$'000	*$'000*	*$'000*	*$'000*
Non-current asset					
Investment in a subsidiary		64,845	64,845	64,845	64,845
Current assets					
Amount due from the ultimate holding company		8	8	8	—
Amount due from a subsidiary		119,371	119,371	119,371	119,371
Cash and bank balances		15	15	15	15
		119,394	119,394	119,394	119,386
Current liabilities					
Amount due to the ultimate holding company		—	—	—	220,531
Amount due to a fellow subsidiary		220,526	220,531	220,536	—
		220,526	220,531	220,536	220,531
Net current liabilities		(101,132)	(101,137)	(101,142)	(101,145)
NET LIABILITIES		(36,287)	(36,292)	(36,297)	(36,300)
CAPITAL AND RESERVES	*17*				
Share capital	*17(b)*	8	8	8	8
Accumulated losses		(36,295)	(36,300)	(36,305)	(36,308)
TOTAL DEFICIT		(36,287)	(36,292)	(36,297)	(36,300)

21 PARENT AND ULTIMATE HOLDING COMPANY

At the end of each reporting period, the directors consider the parent company and ultimate holding company to be Polytec Holdings International Limited, which is incorporated in the British Virgin Islands. Polytec Holdings International Limited does not produce financial statements available for public use.

22 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the entity's accounting policies (which are described in note 2), management has made the following judgements that have significant effect on the amounts recognised in the financial statements.

Net realisable value of land held for future development

Management determines the net realisable value of land held for future development by using the prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers. Management's assessment of net realisable value of land held for future development requires judgement as to the anticipated sale prices with reference to the recent sale transaction in nearby locations, rate of new property sales, marketing costs and the expected costs to complete the properties and the legal and regulatory framework and general market conditions.

23 STATUTORY AUDIT

The statutory financial statements of the companies comprising the First Target Group for the years ended 31 December 2015, 2016 and 2017 were audited by the following auditors:

Name of company	Financial year	Statutory auditor
Smart Rising Limited	No audited financial statements have been prepared since its incorporation as the entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation	
Upway Investments Limited	For the years ended 31 December 2015, 2016 and 2017	Billy Ho and Associates CPA Limited
Zhongshan Junda Property Co., Ltd. (中山市雋達房地產有限公司)	For the years ended 31 December 2015, 2016 and 2017	Zhongshan Tianying Certified Public Accountants Co., Ltd. 中山市天盈會計師事務所有限公司

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2018 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
Amendments to HKAS 19, *Plan amendment, curtailment or settlement*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
Amendments to HKFRS 9, *Prepayment features with negative compensation*	1 January 2019

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

25 NON-ADJUSTMENT EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events which have occurred to any business or the First Target Company or its subsidiaries subsequent to 30 June 2018.

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the First Target Company and its subsidiaries in respect of any period subsequent to 30 June 2018.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF POLYTEC ASSET HOLDINGS LIMITED

Introduction

We report on the historical financial information of Allround Holdings Limited ("**Allround**" or the "**Second Target Company**") and its subsidiaries (together, the "**Second Target Group**") set out on pages IIb-4 to IIb-28, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIb-4 to IIb-28 forms an integral part of this report, which has been prepared for inclusion in the circular of Polytec Asset Holdings Limited (the "**Company**") dated 26 October 2018 (the "**Circular**") in connection with the acquisition of the 60% equity interest in Allround (the "**Second Acquisition**") by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Second Target Group's financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Second Target Group which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2017 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2(a) to the Historical Financial Information.

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

Adjustments

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 October 2018

HISTORICAL FINANCIAL INFORMATION OF THE SECOND TARGET GROUP

Set out below is the Historical Financial Information of the Second Target Group which forms an integral part of this accountants' report.

The consolidated financial statements of the Second Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

A HISTORICAL FINANCIAL INFORMATION OF THE SECOND TARGET GROUP

1 Consolidated income statements

(Expressed in Hong Kong dollars)

	Section B Note	**Year ended 31 December**			**Six months ended 30 June**	
		2015	**2016**	**2017**	**2017**	**2018**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
					(Unaudited)	
Other revenue	*3*	—	11	2	1	1
Other operating expenses		(515)	(714)	(1,540)	(691)	(967)
Loss before taxation	*4*	(515)	(703)	(1,538)	(690)	(966)
Income tax	*5(a)*	—	—	—	—	—
Loss for the year/period		(515)	(703)	(1,538)	(690)	(966)

2 Consolidated statements of comprehensive income
(Expressed in Hong Kong dollars)

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		$'000	$'000	$'000	$'000 (Unaudited)	$'000
Loss for the year/period		(515)	(703)	(1,538)	(690)	(966)
Other comprehensive income for the year/period						
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		(17,275)	(17,643)	18,209	7,966	(2,330)
Total comprehensive income for the year/period		(17,790)	(18,346)	16,671	7,276	(3,296)

3 Consolidated statements of financial position

(Expressed in Hong Kong dollars)

	Section B Note	As at 31 December 2015 $'000	As at 31 December 2016 $'000	As at 31 December 2017 $'000	As at 30 June 2018 $'000
Non-current assets					
Property, plant and equipment	*7*	—	—	376	395
Prepayment	*9*	—	405	—	—
		—	405	376	395
Current assets					
Inventories	*8*	270,974	256,249	275,792	273,450
Other receivables and prepayments	*9*	2	1,754	315	310
Cash and bank balances		286	727	808	1,147
		271,262	258,730	276,915	274,907
Current liabilities					
Trade and other payables	*10*	154	9	147	159
Amount due to the ultimate holding company	*11*	241,868	242,597	242,341	251,113
Amounts due to fellow subsidiaries	*11*	239	5,874	7,477	—
		242,261	248,480	249,965	251,272
Net current assets		29,001	10,250	26,950	23,635
NET ASSETS		29,001	10,655	27,326	24,030
CAPITAL AND RESERVES	*14*				
Share capital	*14(b)*	1	1	1	1
Reserves		29,000	10,654	27,325	24,029
TOTAL EQUITY		29,001	10,655	27,326	24,030

4 Consolidated statements of changes in equity

(Expressed in Hong Kong dollars)

	Share capital $'000	Exchange reserve $'000	Accumulated losses $'000	Total $'0000
At 1 January 2015	1	61,059	(14,269)	46,791
Changes in equity for 2015:				
Loss for the year	—	—	(515)	(515)
Other comprehensive income	—	(17,275)	—	(17,275)
Total comprehensive income	—	(17,275)	(515)	(17,790)
At 31 December 2015 and 1 January 2016	1	43,784	(14,784)	29,001
Changes in equity for 2016:				
Loss for the year	—	—	(703)	(703)
Other comprehensive income	—	(17,643)	—	(17,643)
Total comprehensive income	—	(17,643)	(703)	(18,346)
At 31 December 2016 and 1 January 2017	1	26,141	(15,487)	10,655
Changes in equity for 2017:				
Loss for the year	—	—	(1,538)	(1,538)
Other comprehensive income	—	18,209	—	18,209
Total comprehensive income	—	18,209	(1,538)	16,671
At 31 December 2017 and 1 January 2018	1	44,350	(17,025)	27,326
Changes in equity for the six months ended 30 June 2018:				
Loss for the period	—	—	(966)	(966)
Other comprehensive income	—	(2,330)	—	(2,330)
Total comprehensive income	—	(2,330)	(966)	(3,296)
At 30 June 2018	1	42,020	(17,991)	24,030
At 1 January 2017	1	26,141	(15,487)	10,655
Changes in equity for the six months ended 30 June 2017:				
Loss for the period (unaudited)	—	—	(690)	(690)
Other comprehensive income (unaudited)	—	7,966	—	7,966
Total comprehensive income (unaudited)	—	7,966	(690)	7,276
At 30 June 2017 (unaudited)	1	34,107	(16,177)	17,931

5 Consolidated cash flow statements

(Expressed in Hong Kong dollars)

	Section B Note	Year ended 31 December 2015 *$'000*	2016 *$'000*	2017 *$'000*	Six months ended 30 June 2017 *$'000* (Unaudited)	2018 *$'000*
Loss before taxation		(515)	(703)	(1,538)	(690)	(966)
Adjustments for:						
Depreciation	*4(b)*	—	—	63	24	42
Interest income	*3*	—	—	(2)	(1)	(1)
Operating loss before working capital changes:		(515)	(703)	(1,477)	(667)	(925)
Increase in inventories		—	(2,571)	(1,524)	(1,495)	—
(Increase)/decrease in other receivables and prepayments		—	(1,829)	1,517	1,493	3
Increase/(decrease) in trade and other payables		141	(145)	133	68	14
Cash used in operations		(374)	(5,248)	(1,351)	(601)	(908)
Interest received		—	—	2	1	1
Net cash used in operating activities		(374)	(5,248)	(1,349)	(600)	(907)
Investing activity						
Additions to property, plant and equipment		—	(407)	(19)	—	(63)
Net cash used in investing activity		—	(407)	(19)	—	(63)
Financing activities						
Increase/(decrease) in amounts due to fellow subsidiaries	*13*	248	5,890	1,152	4	(7,044)
Increase in amount due to the ultimate holding company	*13*	203	245	245	5	8,373
Net cash generated from financing activities		451	6,135	1,397	9	1,329

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
					(Unaudited)	
Net increase/(decrease) in cash and cash equivalents		77	480	29	(591)	359
Cash and cash equivalents at the beginning of the year/period		226	286	727	727	808
Effect of foreign exchange rate changes		(17)	(39)	52	12	(20)
Cash and cash equivalents at the end of the year/period		286	727	808	148	1,147
Analysis of balance of cash and cash equivalents at the end of the year/period						
Cash and bank balances		286	727	808	148	1,147
Cash and cash equivalents		286	727	808	148	1,147

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1 GENERAL INFORMATION

The Second Target Company was incorporated in the British Virgin Islands with limited liability by shares on 8 August 2003 under the International Business Companies Act, Cap. 291. The registered office of the Second Target Company is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. The Second Target Company is an investment holding company and its subsidiaries are involved in property development in the People's Republic of China ("**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the significant accounting policies adopted are set out below.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Second Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 January 2018. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after 1 January 2018 are set out in note 21.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information for the six months ended 30 June 2017 has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

(b) Basis of measurement

The Historical Financial Information is presented in Hong Kong Dollars ("**$**"), rounded to the nearest thousand, which is the Second Target Company's functional currency. Each entity comprising the Second Target Group determines its own functional currency.

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

(c) Use of estimates and judgments

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Second Target Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 19.

(d) Interest in subsidiaries

Subsidiaries are entities controlled by the Second Target Group. The Second Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its the power over the entity. When assessing whether the Second Target Group has the power, only substantive rights (held by the Second Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Second Target Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Second Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

In the Second Target Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(g)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)):

Depreciation is calculated on a straight line method to write off the assets over their estimated useful lives as follows:

— Furniture and fixtures and motor vehicles 2 to 5 years

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

(f) Inventories

Land held for future development is stated at the lower of cost and the estimated net realisable value.

Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

For financial assets measured at amortised cost, the allowance for expected credit losses is measured at an amount equal to lifetime expected credit losses, except for other receivables on which the credit risk has not increased significantly since their initial recognition, where the loss allowance is measured as 12-month expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Second Target Group in accordance with the contract and the cash flows that the Second Target Group expects to receive), unless the other receivables are credit-impaired at the end of the reporting period where expected credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

At the end of each reporting period, the Second Target Group assesses whether other receivables are credit-impaired (i.e. when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred, such as significant financial difficulty of the debtor).

The allowance for expected credit losses is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The adjustment to the allowance for credit losses is recognised in profit or loss, as an impairment or reversal of impairment.

Other receivables are written off when there is no realistic prospect of recovery.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

— property, plant and equipment; and

— investment in a subsidiary in the Second Target Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

(g) Credit losses and impairment of assets (Continued)

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(g)(i)).

(i) Trade and other payables

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(k) Borrowings

Borrowings are recognised initially at fair value and subsequently stated at amortised cost. Any difference between the amount initially recognised and the redemption value is amortised to the income statement or the cost of the qualifying assets over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development costs financed out of general working capital, to the average rate thereof.

(l) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Second Target Group operates in Mainland China are charged to profit or loss as and when incurred.

(m) Income tax

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

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

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

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(n) Revenue recognition

Interest income is recognised on a time-apportionment basis throughout the life of the asset concerned.

(o) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(p) Provisions and contingent liabilities

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

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

(q) Related parties

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

(1) has control or joint control over the Second Target Group;

(2) has significant influence over the Second Target Group; or

(3) is a member of the key management personnel of the Second Target Group or the Second Target Group's parent.

(ii) An entity is related to the Second Target Group if any of the following conditions applies:

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

(2) 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).

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

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

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

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

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Second Target Group or to the Second Target Group'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.

3 OTHER REVENUE

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Bank interest income	—	—	2	1	1
Others	—	11	—	—	—
	—	11	2	1	1

4 LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
(a) Staff costs					
Salaries, wages and other benefits	—	35	228	81	425
Contributions to defined contribution retirement plans	—	5	33	10	28
	—	40	261	91	453
(b) Other item					
Depreciation	—	—	63	24	42
Management fee paid/payable to a fellow subsidiary	187	227	222	—	—

5 INCOME TAX

(a) Income tax in the consolidated income statements represents:

No provision has been made for Hong Kong Profits Tax and PRC Corporate Income Tax as the Second Target Group did not earn any assessable profits during the Relevant Periods.

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(Unaudited)	
Loss before taxation	(515)	(703)	(1,538)	(690)	(966)
Tax at applicable tax rates	(112)	(154)	(364)	(163)	(232)
Effect of non-deductible expenses	112	154	364	163	232
Actual tax expenses	—	—	—	—	—

6 DIRECTORS' EMOLUMENTS

During the Relevant Periods, no fees, salaries, allowances and other benefits, performance related bonuses, and provident fund contributions were paid to the directors of the Second Target Group.

7 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture and fixtures	Total
	$'000	*$'000*	*$'000*
Cost:			
At 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016 and 1 January 2017	—	—	—
Additions	407	19	426
Exchange adjustments	14	1	15
At 31 December 2017 and 1 January 2018	421	20	441
Additions	—	63	63
Exchange adjustments	(4)	—	(4)
At 30 June 2018	417	83	500
Accumulated depreciation:			
At 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016 and 1 January 2017	—	—	—
Charge for the year	61	2	63
Exchange adjustments	2	—	2
At 31 December 2017 and 1 January 2018	63	2	65
Charge for the period	39	3	42
Exchange adjustments	(2)	—	(2)
At 30 June 2018	100	5	105
Net book value:			
At 31 December 2015	—	—	—
At 31 December 2016	—	—	—
At 31 December 2017	358	18	376
At 30 June 2018	317	78	395

8 INVENTORIES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	$'000	*$'000*	*$'000*	*$'000*
Land held for future development	270,974	256,249	275,792	273,450

The analysis of carrying value of land under inventories is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	$'000	*$'000*	*$'000*	*$'000*
In the PRC				
— under medium-term leases	270,974	256,249	275,792	273,450

9 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	$'000	*$'000*	*$'000*	*$'000*
Other receivables and prepayments	2	2,159	315	310

As at 31 December 2016, included in other receivables and prepayments was a prepayment of $405,000 paid to acquire a motor vehicle, which was classified as non-current asset.

10 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	$'000	*$'000*	*$'000*	*$'000*
Creditors and accrued charges	154	9	147	159

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

11 AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

Amounts due to the ultimate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

12 INTERESTS IN SUBSIDIARIES

As at 31 December 2015, 2016, 2017 and 30 June 2018, particulars of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operation	Date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
				Direct	Indirect	
All Complete Limited	Hong Kong	3 November 2006	$1	100%	—	Investment holding
Zhuhai Polytec Property Development Co., Ltd. (珠海保利達房地產開發有限公司)	PRC	19 April 2007	US$31,421,345	—	100%	Property investment

13 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to fellow subsidiaries	Amount due to the ultimate holding company	Total
	$'000	*$'000*	*$'000*
At 1 January 2015	—	241,192	241,192
Cash flows, net	248	203	451
Other change:			
Exchange adjustments	(9)	473	464
At 31 December 2015 and 1 January 2016	239	241,868	242,107
Cash flows, net	5,890	245	6,135
Other change:			
Exchange adjustments	(255)	484	229
At 31 December 2016 and 1 January 2017	5,874	242,597	248,471
Cash flows, net	1,152	245	1,397
Other change:			
Exchange adjustments	451	(501)	(50)
At 31 December 2017 and 1 January 2018	7,477	242,341	249,818
Cash flows, net	(7,044)	8,373	1,329
Other changes:			
Exchange adjustments	160	(194)	(34)
Assignment of intercompany balances	(593)	593	—
Total other changes	(433)	399	(34)
At 30 June 2018	—	251,113	251,113
At 1 January 2017	5,874	242,597	248,471
Cash flows, net (unaudited)	4	5	9
Other change:			
Exchange adjustments (unaudited)	174	(220)	(46)
At 30 June 2017 (unaudited)	6,052	242,382	248,434

14 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Second Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Second Target Company's individual components of equity between the beginning and the end of the year/period are set out below:

	Share capital	Accumulated losses	Total
	$'000	*$'000*	*$'000*
At 1 January 2015	1	(409)	(408)
Loss and total comprehensive income for the year	—	(4)	(4)
At 31 December 2015 and 1 January 2016	1	(413)	(412)
Loss and total comprehensive income for the year	—	(7)	(7)
At 31 December 2016 and 1 January 2017	1	(420)	(419)
Loss and total comprehensive income for the year	—	(5)	(5)
At 31 December 2017 and 1 January 2018	1	(425)	(424)
Loss and total comprehensive income for the period	—	—	—
At 30 June 2018	1	(425)	(424)
At 1 January 2017	1	(420)	(419)
Loss and total comprehensive income for the period (unaudited)	—	—	—
At 30 June 2017 (unaudited)	1	(420)	(419)

14 CAPITAL AND RESERVES (Continued)

(b) Share capital

	The Second Target Company							
	2015		2016		2017		2018	
	No. of shares	*Amount*	*No. of shares*	*Amount*	*No. of shares*	*Amount*	*No. of shares*	*Amount*
		$'000		*$'000*		*$'000*		*$'000*
Authorised-ordinary shares of US$1 each:								
At the beginning and the end of the year/period	50,000	390	50,000	390	50,000	390	50,000	390
Ordinary shares, issued and fully paid:								
At the beginning and the end of the year/period	100	1	100	1	100	1	100	1

(c) Capital management

The Second Target Group's primary objectives when managing capital are to safeguard the Second Target Group's ability to continue as a going concern, in order to provide returns for shareholders. As the Second Target Group is part of a larger group, the Second Target Group's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Second Target Group actively and regularly reviews and manages its capital structure to maintain the Second Target Group's ability to continue as a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

15 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Second Target Group is exposed to credit, liquidity and currency risks which arise in the normal course of the Second Target Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by the Second Target Group.

(a) Credit risk

The Second Target Group's credit risk is primarily attributable to bank deposits and other receivables. The Second Target Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash at bank is placed with financial institutions with sound credit ratings to minimise credit exposure.

The management considers that related parties are under influence of the ultimate holding company, hence no material credit risk exists on amounts due from related companies. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Second Target Group does not provide any guarantees which would expose the Second Target Group to credit risk.

(b) Liquidity risk

The Second Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate funding from its group companies to meet its liquidity requirements in the short and longer term.

15 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

At the end of each reporting period, the remaining contractual maturities of the Second Target Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Second Target Group can be required to pay, were all within one year or on demand.

(c) Currency risk

The Second Target Group owns assets and conducts its business mainly in Mainland China. The Second Target Group's primary foreign currency exposures arise from its direct property development in Mainland China. The Second Target Group is mainly exposed to the effects of fluctuation in Renminbi. Where appropriate and cost efficient, the Second Target Group seeks to finance these investments by Renminbi borrowings and as future returns from these investments are denominated in Renminbi, exposure to Renminbi currency risk is minimised.

Management considers this risk is insignificant to the Second Target Group as a whole but still manages and monitors this risk to ensure that its net exposure is kept to an acceptable low level.

(d) Fair value of financial assets and liabilities

The carrying amounts of the Second Target Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at the end of each reporting period.

16 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Second Target Group did not enter into any other material related party transactions during the Relevant Periods.

17 COMPANY-LEVEL STATEMENTS OF FINANCIAL POSITION

	Note		As at 31 December		As at 30 June
		2015	2016	2017	2018
		$'000	$'000	$'000	$'000
Non-current asset					
Investment in a subsidiary		—*	—*	—*	—*
Current asset					
Amount due from a subsidiary		245,500	245,500	245,500	245,500
Current liability					
Amount due to the ultimate holding company		245,912	245,919	245,924	245,924
Net current liabilities		(412)	(419)	(424)	(424)
NET LIABILITIES		(412)	(419)	(424)	(424)
CAPITAL AND RESERVES	14				
Share capital	14(b)	1	1	1	1
Accumulated losses		(413)	(420)	(425)	(425)
TOTAL DEFICIT		(412)	(419)	(424)	(424)

** It represents $1*

18 PARENT AND ULTIMATE HOLDING COMPANY

At the end of each reporting period, the directors consider the parent company and ultimate holding company to be Polytec Holdings International Limited, which is incorporated in the British Virgin Islands. Polytec Holdings International Limited does not produce financial statements available for public use.

19 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the entity's accounting policies (which are described in note 2), management has made the following judgements that have significant effect on the amounts recognised in the financial statements.

Net realisable value of land held for future development

Management determines the net realisable value of land held for future development by using the prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers. Management's assessment of net realisable value of land held for future development requires judgement as to the anticipated sale prices with reference to the recent sale transaction in nearby locations, rate of new property sales, marketing costs and the expected costs to complete the properties and the legal and regulatory framework and general market conditions.

20 STATUTORY AUDIT

The statutory financial statements of the companies comprising the Second Target Group for the years ended 31 December 2015, 2016 and 2017 were audited by the following auditors:

Name of company	Financial year	Statutory auditor
Allround Holdings Limited	No audited financial statements have been prepared since its incorporation as the entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation	
All Complete Limited	For the years ended 31 December 2015, 2016 and 2017	Billy Ho and Associates CPA Limited
Zhuhai Polytec Property Development Co., Ltd. (珠海保利達房地產開發有限公司)	For the years ended 31 December 2015, 2016 and 2017	Mazars Certified Public Accountants LLP, Zhuhai Branch (formerly known as Union Power Certified Public Accountants (special general partnership) Zhuhai Branch) 中審眾環會計師事務所(特殊普通合伙)珠海分所

21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2018 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
Amendments to HKAS 19, *Plan amendment, curtailment or settlement*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
Amendments to HKFRS 9, *Prepayment features with negative compensation*	1 January 2019

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

22 NON-ADJUSTMENT EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events which have occurred to any business or the Second Target Company or its subsidiaries subsequent to 30 June 2018.

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Second Target Company and its subsidiaries in respect of any period subsequent to 30 June 2018.

Set out below is the management discussion and analysis of the Target Groups for each of the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018:

FIRST TARGET GROUP

BUSINESS OVERVIEW

The First Target Company is an investment holding company and its subsidiaries are involved in property development in the PRC. The First Target Group holds the First Project which is designated for residential and commercial uses.

FINANCIAL OVERVIEW

The financial information of the First Target Group as extracted from its Accountants' Report on the First Target Group is set out below:

Financial Position

Total assets of the First Target Group were approximately HK$223.6 million, HK$223.9 million, HK$372.6 million and HK$369.7 million as at 31 December 2015, 2016, 2017 and 30 June 2018 respectively, comprising mainly inventories (which represented the land held for future development) and deferred tax assets, if any. The increase in total assets as at 31 December 2017 and 30 June 2018 was mainly due to the deferred tax assets amounting to HK$121.0 million and HK$120.0 million respectively, which were arisen from the transfer of land held for future development within the First Target Group in 2017. There were no such deferred tax assets as at 31 December 2015 and 31 December 2016.

As at 31 December 2015, 2016, 2017 and 30 June 2018, total liabilities of the First Target Group were approximately HK$234.6 million, HK$236.1 million, HK$389.1 million and HK$387.9 million, comprising mainly the amounts due to the ultimate holding company and fellow subsidiaries, if any. The increase in total liabilities as at 31 December 2017 was mainly due to the increase in amounts due to fellow subsidiaries amounting to HK$154.0 million as compared to 31 December 2016.

The net liabilities of the First Target Group were approximately HK$11.0 million, HK$12.2 million, HK$16.5 million and HK$18.3 million at 31 December 2015, 2016, 2017 and 30 June 2018 respectively.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, 2016, 2017 and 30 June 2018, the First Target Group maintained a balance of cash and bank of HK$1.9 million, HK$1.8 million, HK$4.4 million and HK$4.1 million respectively.

As at 31 December 2015, 2016, 2017 and 30 June 2018, the First Target Group had no bank facilities.

As at 31 December 2015, 2016, 2017 and 30 June 2018, the First Target Group recorded current liabilities of approximately HK$234.6 million, HK$236.1 million, HK$389.1 million and HK$387.9 million respectively. As the First Target Group had net deficit as at 31 December 2015, 2016, 2017 and 30 June 2018, the gearing ratio was not applicable.

BUSINESS PERFORMANCE AND SEGMENT INFORMATION

The First Target Group operates in the segment of property development.

Revenue and cost of operations

No revenue and cost of operations were recorded for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018.

Other net income/(expense)

Other net income/(expense) represented the net exchange gain/(loss). Other net income for the years ended 31 December 2015 and 2016 were HK$0.2 million and HK$0.5 million respectively. Other net expense for the year ended 31 December 2017 and for the six months ended 30 June 2017 were HK$0.6 million and HK$0.2 million respectively. No other net income/(expense) was recorded for the six months ended 30 June 2018.

Other operating expenses

Other operating expenses for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018 were HK$1.9 million, HK$1.8 million, HK$3.7 million, HK$0.6 million and HK$0.9 million respectively. The increase for the other operating expenses for the year ended 31 December 2017 was mainly due to the other sales related tax amounting to HK$2.2 million incurred for the transfer of land held for future development within the First Target Group in 2017.

Loss for the year/period

Loss for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018 were HK$1.6 million, HK$1.3 million, HK$4.2 million, HK$0.9 million and HK$0.9 million respectively. The increase in loss for the year ended 31 December 2017 was mainly due to the increase in other operating expenses as mentioned above.

FOREIGN EXCHANGE RISK

The First Target Group does not have a foreign currency hedging policy in place. However, management of the First Target Group has closely monitored foreign exchange exposure and undertakes procedures necessary to mitigate the currency risk should such need arise.

CHARGE ON ASSETS

No assets were pledged for the First Target Group as at 31 December 2015, 2016, 2017 and 30 June 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, the First Target Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the First Target Group did not have any significant investments, material acquisition and disposal.

EMPLOYEES AND REMUNERATION POLICY

The First Target Group had 3, 3, 3 and 7 employees as at 31 December 2015, 2016, 2017 and 30 June 2018 respectively. The staff costs of the First Target Group for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018 were HK$0.5 million, HK$0.5 million, HK$0.4 million, HK$0.2 million and HK$0.3 million respectively. Details of which are set out in note 5(a) of the Accountants' Report on the First Target Group as set out in Appendix IIa to this circular.

The First Target Group's salary and remuneration policy is determined by reference to, among other things, employee performance, working experience and prevailing market rates. No share option scheme has been adopted for employees of the First Target Group. In order to ensure that the First Target Group's employees remain competitive in the relevant industries, the First Target Group has adopted training programmes for its employees.

FUTURE PLAN FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

The First Target Group has no future plan for material investments or capital assets in the coming year.

SECOND TARGET GROUP

BUSINESS OVERVIEW

The Second Target Company is an investment holding company and its subsidiaries are involved in property development in the PRC. The Second Target Group holds the Second Project which is targeted for commercial uses.

FINANCIAL OVERVIEW

The financial information of the Second Target Group as extracted from its Accountants' Report on the Second Target Group is set out below:

Financial Position

Total assets of the Second Target Group were approximately HK$271.3 million, HK$259.1 million, HK$277.3 million and HK$275.3 million as at 31 December 2015, 2016, 2017 and 30 June 2018 respectively, comprising mainly inventories (which represented the land held for future development).

As at 31 December 2015, 2016, 2017 and 30 June 2018, total liabilities of the Second Target Group were approximately HK$242.3 million, HK$248.5 million, HK$250.0 million and HK$251.3 million, comprising mainly the amount due to the ultimate holding company.

The net assets of the Second Target Group were approximately HK$29.0 million, HK$10.7 million, HK$27.3 million and HK$24.0 million at 31 December 2015, 2016, 2017 and 30 June 2018 respectively. The decrease in net assets as at 31 December 2016 and the subsequent increase in net assets as at 31 December 2017 were mainly due to the exchange differences on translation of financial statements of subsidiaries outside Hong Kong amounting to a loss of HK$17.6 million and a gain of HK$18.2 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, 2016, 2017 and 30 June 2018, the Second Target Group maintained a balance of cash and bank of HK$0.3 million, HK$0.7 million, HK$0.8 million and HK$1.1 million respectively.

As at 31 December 2015, 2016, 2017 and 30 June 2018, the Second Target Group had no bank facilities.

As at 31 December 2015, 2016, 2017 and 30 June 2018, the Second Target Group recorded current liabilities of approximately HK$242.3 million, HK$248.5 million, HK$250.0 million and HK$251.3 million respectively and had gearing ratio (calculating by dividing the total amounts due to the ultimate holding company and fellow subsidiaries less cash and bank balances by the total equity) of approximately 834%, 2,325%, 911% and 1,040% respectively.

BUSINESS PERFORMANCE AND SEGMENT INFORMATION

The Second Target Group operates in the segment of property development.

Revenue and cost of operations

No revenue and cost of operations were recorded for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018.

Other operating expenses

Other operating expenses for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018 were HK$0.5 million, HK$0.7 million, HK$1.5 million, HK$0.7 million and HK$1.0 million respectively. The increase for the other operating expenses for the year ended 31 December 2017 was mainly due to the increase in staff costs and other administrative expenses.

Loss for the year/period

Loss for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018 were HK$0.5 million, HK$0.7 million, HK$1.5 million, HK$0.7 million and HK$1.0 million respectively. The increase in loss for the year ended 31 December 2017 was mainly due to the increase in other operating expenses as mentioned above.

FOREIGN EXCHANGE RISK

The Second Target Group does not have a foreign currency hedging policy in place. However, management of the Second Target Group has closely monitored foreign exchange exposure and undertakes procedures necessary to mitigate the currency risk should such need arise.

CHARGE ON ASSETS

No assets were pledged for the Second Target Group as at 31 December 2015, 2016, 2017 and 30 June 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, the Second Target Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Second Target Group did not have any significant investments, material acquisition and disposal.

EMPLOYEES AND REMUNERATION POLICY

The Second Target Group had 0, 2, 3 and 4 employees as at 31 December 2015, 2016, 2017 and 30 June 2018 respectively. The staff costs of the Second Target Group for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018 were HK$Nil, HK$0.04 million, HK$0.3 million, HK$0.09 million and HK$0.5 million respectively. Details of which are set out in note 4(a) of the Accountants' Report on the Second Target Group as set out in Appendix IIb to this circular.

The Second Target Group's salary and remuneration policy is determined by reference to, among other things, employee performance, working experience and prevailing market rates. No share option scheme has been adopted for employees of the Second Target Group. In order to ensure that the Second Target Group's employees remain competitive in the relevant industries, the Second Target Group has adopted training programmes for its employees.

FUTURE PLAN FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

The Second Target Group has no future plan for material investments or capital assets in the coming year.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The information set forth in this appendix does not form part of the Accountants' Reports received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendices IIa and IIb to this Circular, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the financial information of the Group set forth in Appendix I and the Accountants' Reports set forth in Appendices IIa and IIb to this Circular.

(1) Introduction

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 June 2018 (collectively referred to as the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with Paragraphs 4.29 of the Listing Rules for the purpose of illustrating the effect on the financial position of the Group as at 30 June 2018 as if the proposed acquisitions of 50% equity interest in Smart Rising Limited (the "**First Target Company**") and 60% equity interest in Allround Holdings Limited (the "**Second Target Company**") by the Group (collectively referred to the "**Proposed Acquisitions**") had been completed on 30 June 2018.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the interim report of the Company for the six months ended 30 June 2018 and the audited consolidated statement of financial position of the First Target Group and Second Target Group as at 30 June 2018 as set out in the Accountants' Reports on the First Target Group and Second Target Group included in Appendices IIa and IIb to this Circular respectively, after making certain pro forma adjustments that are (i) directly attributable to the Proposed Acquisitions and not relating to other future events or decisions; and (ii) factually supportable, as if the Proposed Acquisitions had been undertaken as at 30 June 2018.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimations and uncertainties. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisitions been completed as of 30 June 2018 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2018, the Accountants' Reports on the financial information of the First Target Group and Second Target Group as set out in Appendices IIa and IIb to this Circular respectively, and other financial information included elsewhere in this Circular.

(2) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group as at 30 June 2018

	The Group as at 30 June 2018	The Second Target Group as at 30 June 2018	Pro forma adjustments		The Enlarged Group as at 30 June 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Property, plant and equipment	416,455	395			416,850
Oil exploitation assets	27,902	—			27,902
Interests in property development	11,197,759	—			11,197,759
Interest in joint ventures	1,495,146	—	1,003,652		2,498,798
Deposit	300,028	—	(300,028)		—
Deferred tax assets	42,227	—			42,227
Goodwill	16,994	—			16,994
	13,496,511	395			14,200,530
Current assets					
Interests in property development	1,100,381	—			1,100,381
Amount due from a fellow subsidiary	180,000	—			180,000
Amount due from a joint venture	—	—	193,892		193,892
Inventories	84,755	273,450		800,120	1,158,325
Trade and other receivables	209,396	310		(161,095)	48,611
Cash and bank balances	265,985	1,147			267,132
	1,840,517	274,907			2,948,341
Current liabilities					
Trade and other payables	154,119	159			154,278
Amount due to the ultimate holding company	—	251,113		(150,668)	100,445
Bank loans	1,354,800	—			1,354,800
Current taxation	59,117	—			59,117
	1,568,036	251,272			1,668,640
Net current assets	272,481	23,635			1,279,701
Total assets less current liabilities	13,768,992	24,030			15,480,231
Non-current liabilities					
Amount due to the immediate holding company	900,868	—	900,083	483,283	2,284,234
Other payables	18,474	—			18,474
Deferred tax liabilities	16,518	—			16,518
	935,860	—			2,319,226
NET ASSETS	12,833,132	24,030			13,161,005

Notes to the Unaudited Pro Forma Financial Information

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the published interim report of the Group for the six months ended 30 June 2018.

2. The amounts are extracted from the audited consolidated statement of financial position of the Second Target Group as at 30 June 2018 as set out in Appendix IIb to this Circular.

3. Pursuant to the sales and purchase agreement dated 22 June 2018, the Group has conditionally agreed to purchase 50% equity interest in the First Target Company from Polytec Holdings International Limited (the "**Vendor**") and 50% of the loans, interest (if any), and other sums and indebtedness due by the First Target Company to the Vendor for a consideration of HK$1,200,111,000, which is apportioned as to HK$1,003,652,000 for the First Target Shares and as to HK$196,459,000 for the First Target Sale Loan. The completion of the acquisition is dependent on the fulfilment of a number of conditions, among others, the approval from the independent shareholders of the Company. Pursuant to the sales and purchase agreement, the Group has paid HK$300,028,000 as a deposit as at 30 June 2018.

   The remaining consideration of HK$900,083,000 will be settled at completion of the acquisition and solely financed by the immediate holding company of the Group.

   Upon the completion of the acquisition, the First Target Company will become a joint venture of the Group in accordance with Hong Kong Accounting Standards 28 (2011) "Investments in Associates and Joint Ventures".

   The pro forma adjustments to the interest in joint venture and intercompany loan are as follows:

	HK$'000
Consideration for the First Target Shares	1,003,652
Interest in joint venture — First Target Company	1,003,652
Consideration for the First Target Sale Loan	196,459
Intercompany loan as at 30 June 2018 assigned	(193,892)
Consideration paid in excess of intercompany loan assigned *(note)*	2,567

   Note: Such difference will be accounted for as capital distribution to the Vendor and recognised as equity movement.

   In the event that the Plot Ratio is increased from 2.5 to 3.5 on or before the Long-Stop Date, the Vendor shall notify the Purchaser in writing (the "**Notice**") of the new Plot Ratio and the Purchaser or Polytec Asset Holdings Limited will appoint an independent valuer to perform a new valuation of the First Project as at 31 May 2018 based on the new Plot Ratio (the "**New Valuation**"). The consideration will then be adjusted by an amount equivalent to 50% of the increase taking into account the result of the New Valuation after deducting the tax effect to be assumed (the "**Adjusted Consideration**"). The Purchaser shall then pay the difference between the Adjusted Consideration, subject to a cap of HK$311,912,000 which is determined based on the maximum Plot Ratio of 3.5.

4. Pursuant to the sales and purchase agreement dated 22 June 2018, the Group has conditionally agreed to purchase 60% equity interest in the Second Target Company from the Vendor and 60% of the loans, interest (if any), and other sums and indebtedness due by the Second Target Company to the Vendor for a consideration of HK$644,378,000, which is apportioned as to HK$494,490,000 for the Second Target Shares and as to HK$149,888,000 for the Second Target Sale Loan. The completion of the acquisition is dependent on the fulfilment of a number of conditions, among others, the approval from the independent shareholders of the Company. Pursuant to the sales and purchase agreement, the Group has paid HK$161,095,000 as a deposit as at 30 June 2018.

The remaining consideration of HK$483,283,000 will be settled at completion of the acquisition and solely financed by the immediate holding company of the Group.

Upon the completion of the acquisition, the Second Target Company will become a non-wholly owned subsidiary of the Group. In considering the principal activities of the Second Target Group, such acquisition is not accounted for as an acquisition of business in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" but as an acquisition of assets.

The pro forma adjustments to the inventories and intercompany loan are as follows:

	HK$'000
Consideration for the Second Target Shares	494,490
Carrying amount of 60% identifiable net assets acquired (HK$24,030,000×60%)	(14,418)
Pro forma adjustments to the inventories of the 60% equity interest acquired	480,072
Pro forma adjustments to the inventories of the entire Second Target Group	800,120
Consideration for the Second Target Sale Loan	149,888
Intercompany loan as at 30 June 2018 assigned	(150,668)
Intercompany loan assigned in excess of the consideration paid *(note)*	(780)

Note: Such difference will be accounted for as capital contribution from the Vendor and recognised as equity movement.

5. No adjustment has been made to the Unaudited Pro Forma Financial Information for professional costs of HK$2,200,000 directly attributable to the Proposed Acquisitions (including fees to legal advisers, reporting accountants, valuer, printer and other expenses) as the Directors determined that such costs are insignificant.

6. No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Enlarged Group subsequent to 30 June 2018.

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

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this Circular .

KPMG

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

TO THE DIRECTORS OF POLYTEC ASSET HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Polytec Asset Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), Smart Rising Limited (the "**First Target Company**") and its subsidiaries (together, the "**First Target Group**") and Allround Holdings Limited (the "**Second Target Company**") and its subsidiaries (together, the "**Second Target Group**") (collectively the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2018 and related notes as set out in Part A of Appendix IV to the circular dated 26 October 2018 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The Unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of 50% equity interest in the First Target Company and 60% equity interest in the Second Target Company (the "**Proposed Acquisitions**") on the Group's financial position as at 30 June 2018 as if the Proposed Acquisitions had taken place at 30 June 2018. As part of this process, information about the Group's financial position as at 30 June 2018 has been extracted by the Directors from the interim financial report of the Group for the six months ended 30 June 2018, on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
26 October 2018

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of First Project in the PRC as at 31 July 2018.

CUSHMAN & WAKEFIELD
戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

26 October 2018

The Directors
Kowloon Development Company Limited
23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

The Directors
Polytec Asset Holdings Limited
23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Dear Sirs,

Re: First Project - the property development project located at Nantongwei and Shawei, Beitai Village, South District, Zhongshan City, Guangdong Province, the PRC* (中國廣東省中山市南區北台村沙圍及南通尾) with a total gross floor area of approximately 587,004 sq m and a total site area of approximately 234,802 sq m

Instructions, Purpose & Valuation Date

In accordance with the instructions from Kowloon Development Company Limited ("**KDC**") and Polytec Asset Holdings Limited ("**PAH**") for us to prepare market valuation of the captioned First Project held by 中山市雋達房地產有限公司 (Zhongshan Junda Property Co., Ltd.*) ("**First Target PRC Subsidiary**") in the People's Republic of China (the "**PRC**"); we confirm that we have carried out inspection, 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 First Project in existing state as at 31 July 2018 (the "**valuation date**").

** For identification purpose only*

Definition of Market Value

Our valuation of First Project represents its Market Value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis & Assumptions

Our valuation of First Project excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of First Project held in the PRC, with reference to the PRC Legal opinion of the legal adviser, Beijing Dentons (Shenzhen) Law Firm (北京大成(深圳)律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of First Project for its respective specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by First Target PRC Subsidiary and the PRC legal opinion of KDC and PAH's legal adviser, dated 26 October 2018, regarding the titles to First Project and the interests in First Project. In valuing First Project, we have prepared our valuation on the basis that the owners have enforceable title to First Project and has free and uninterrupted rights to use, occupy or assign First Project for the whole of the unexpired terms as granted.

In respect of First Project situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by First Target PRC Subsidiary, are set out in the notes in the valuation report.

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

Method of Valuation

In valuing First Project, which is held by First Target PRC Subsidiary for development in the PRC, we have valued First Project by Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market.

In valuing First Project, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017 published by HKIS.

Source of Information

In the course of our valuation, we have relied to a considerable extent on the information given by First Target PRC Subsidiary in respect of First Project in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of First Project, development scheme, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by First Target PRC Subsidiary which is material to the valuation. We were also advised by First Target PRC Subsidiary that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise KDC and PAH to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by First Target PRC Subsidiary with copies of documents in relation to the current title to First Project. However, we have not been able to conduct searches to verify the ownership of First Project or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of First Project in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and First Target PRC Subsidiary.

Site Inspection

Our Guangzhou Office valuer, Victor Li (4 years' of valuation experience in the PRC) has inspected the exterior and, wherever possible, the interior of First Project in July 2018. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of First Project and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

Remark

Please note that we are appointed by KDC and PAH as a joint valuer to prepare valuation of First Project for public disclosure purposes. KDC and PAH understand that our valuation is carried out on an impartial basis without bias to any party concerned.

We attach herewith the valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

Property held by First Target PRC Subsidiary for development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2018
First Project - the property development project located at Nantongwei and Shawei, Beitai Village, South District, Zhongshan City, Guangdong Province, the PRC* (中國廣東省中山市南區北台村沙圍及南通尾) with a total gross floor area of approximately 587,004 sq m and a total site area of approximately 234,802 sq m	First Project comprises a residential development to be erected on a parcel of land with a site area of approximately 234,801.70 sq m. As advised by First Target PRC Subsidiary, the development will develop in 3 phases with 38 blocks of high-rise residential building, 4 blocks of high-rise apartment and 150 blocks of villa comprising a total planned gross floor area of 587,004 sq m.	First Project is a vacant site pending for future development.	RMB5,500,000,000 (RENMINBI FIVE BILLION FIVE HUNDRED MILLION)

Uses	**Approximate Gross Floor Area** *(sq m)*
Residential	559,920.00
Villa	14,069.00
Retail	13,015.00
Total:	**587,004.00**

As advised by First Target PRC Subsidiary, the development plan is subject to further planning and government approvals before construction and is for sale purpose.

First Project is located at Nantongwei and Shawei, Beitai Village, South District, Zhongshan City, Guangdong Province. Developments nearby are mainly industrial and residential development. According to First Target PRC Subsidiary, First Project is planned for residential use; there is no environmental issues and litigation dispute; there is no plan to change the use of First Project.

The land use rights of First Project has been granted for a term due to expire on 20 December 2062 for residential use.

Notes:

(1) According to Real Estate Title Certificate No. (2017)0299319 dated 22 December 2017, the land use rights of First Project has been granted to First Target PRC Subsidiary with a site area of 234,801.70 sq m for a term due to expire on 20 December 2062 for residential use.

(2) According to Zhongshan Construction Land Planning Requirements No. 340322011100001 dated 15 November 2011, the construction works of First Project are in compliance with the urban planning requirements and have been approved with details follows:

Location:	Nantongwei and Shawei, Beitai Village, South District, Zhongshan City
Site Area:	234,801.70 sq m
Land Use:	Commercial residential
Plot Ratio:	2.5 (in which maximum 15% for ancillary commercial)

(3) According to the information provided by First Target PRC Subsidiary, First Project is scheduled to be fully completed in between 2021 and 2023 and the estimated total construction cost to complete the development is approximately RMB2.7 billion.

(4) According to Business Licence No. 91442000588285843L dated 7 March 2016, First Target PRC Subsidiary was established as a limited liability company with a registered capital of RMB250,000,000 for a valid operation period from 14 February 2012 to 14 February 2042.

(5) According to the PRC legal opinion:

(i) First Target PRC Subsidiary is legally established under the PRC law;
(ii) First Target PRC Subsidiary has legally obtained Real Estate Title Certificate, and is the sole registered owner of land use rights, recognized and protected by PRC law;
(iii) First Target PRC Subsidiary has rights to occupy and use land within the time limit, and has rights to mortgage, transfer, lease of land use rights or deal with land use rights by other means;
(iv) First Target PRC Subsidiary can commence the construction work according to land use term and within the time limit agreed in Urban Real Estate Administration Law of the PRC and Grant Contract of Land Use Rights and the Supplementary Contract;
(v) Since First Target PRC Subsidiary has signed a supplementary agreement of Grant Contract of Land Use Rights and has obtained Real Estate Title Certificate, it does not affect the land ownership and subsequent development and construction if there is no Grant Contract of Land Use Rights; and
(vi) From the date of obtaining Real Estate Title Certificate on 22 December 2017 to the date of the publication of this legal opinion, no notice has been obtained from Land and Resources Administrative Department regarding the determination of idle land.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by First Target PRC Subsidiary and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
Zhongshan Construction Land Planning Requirements	Yes
Business Licence	Yes

(7) Solely for reference purpose, in the event that the Plot Ratio is increased with government approval from 2.5 (as stated in Note (2) above) to 3.5, on the basis that supplemental land premium has been fully settled, the Market Value in existing state as at 31 July 2018 of the First Project would be RMB7,200,000,000 (RENMINBI SEVEN BILLION TWO HUNDRED MILLION).

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of Second Project in the PRC as at 31 July 2018.

CUSHMAN & WAKEFIELD
戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

26 October 2018

The Directors
Kowloon Development Company Limited
23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

The Directors
Polytec Asset Holdings Limited
23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Dear Sirs,

Re: Second Project — the property development project located at the interchange place of Jiuzhou Road and Yingbin Road, Zhuhai City, Guangdong Province, the PRC* (中國廣東省珠海市九洲大道與迎賓大道交匯處) with a total gross floor area of approximately 179,024 sq m and a total site area of approximately 43,656 sq m consisting of the northern part and the southern part of the lands

Instructions, Purpose & Valuation Date

In accordance with the instructions from Kowloon Development Company Limited ("**KDC**") and Polytec Asset Holdings Limited ("**PAH**") for us to prepare market valuation of the captioned Second Project held by 珠海保利達房地產開發有限公司 (Zhuhai Polytec Property Development Co., Ltd.*) ("**Second Target PRC Subsidiary**") in the People's Republic of China (the "**PRC**"); we confirm that we have carried out inspection, 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 Second Project in existing state as at 31 July 2018 (the "**valuation date**").

** For identification purpose only*

Definition of Market Value

Our valuation of Second Project represents its Market Value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis & Assumptions

Our valuation of Second Project excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of Second Project held in the PRC, with reference to the PRC Legal opinion of the legal adviser, Beijing Dentons (Shenzhen) Law Firm (北京大成 (深圳) 律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of Second Project for its respective specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by Second Target PRC Subsidiary and the PRC legal opinion of KDC and PAH's legal adviser, dated 26 October 2018, regarding the title to Second Project and the interest in Second Project. In valuing Second Project, we have prepared our valuation on the basis that the owner has enforceable title to Second Project and has free and uninterrupted rights to use, occupy or assign Second Project for the whole of the unexpired term as granted.

In respect of Second Project situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by Second Target PRC Subsidiary are set out in the notes in the valuation report.

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

Method of Valuation

In valuing Second Project, which is held by Second Target PRC Subsidiary for development in the PRC, we have valued Second Project by Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market.

In valuing Second Project, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017 published by HKIS.

Source of Information

In the course of our valuation, we have relied to a considerable extent on the information given by Second Target PRC Subsidiary in respect of Second Project in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of Second Project, development scheme, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by Second Target PRC Subsidiary which is material to the valuation. We were also advised by Second Target PRC Subsidiary that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise KDC and PAH to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by Second Target PRC Subsidiary with copies of documents in relation to the current title to Second Project. However, we have not been able to conduct searches to verify the ownership of Second Project or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of Second Project in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and Second Target PRC Subsidiary.

Site Inspection

Our Shenzhen Office valuer, Candy Gan (10 years' of valuation experience in the PRC) has inspected the exterior and, wherever possible, the interior of Second Project in July 2018. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of Second Project and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

Remark

Please note that we are appointed by KDC and PAH as a joint valuer to prepare valuation of Second Project for public disclosure purposes. KDC and PAH understand that our valuation is carried out on an impartial basis without bias to any party concerned.

We attach herewith the valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: *Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in the PRC.*

VALUATION REPORT

Property held by Second Target PRC Subsidiary for development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2018
Second Project — the property development project located at the interchange place of Jiuzhou Road and Yingbin Road, Zhuhai City, Guangdong Province, the PRC* (中國廣東省珠海市九洲大道與迎賓大道交匯處) with a total gross floor area of approximately 179,024 sq m and a total site area of approximately 43,656 sq m consisting of the northern part and the southern part of the lands	Second Project comprises a planned commercial office development to be erected on two parcels of nearby land (northern part and southern part) with a total site area of approximately 43,656 sq m. As advised by Second Target PRC Subsidiary, the development will develop in 4 blocks of hotel-style office building with bottom 3 levels of commercial portion comprising a total planned gross floor area of approximately 179,023.85 sq m with details as follows: **Uses** — **Approximate Gross Floor Area** *(sq m)* Retail — 63,635.77 Office — 115,388.08 **Total:** — **179,023.85** As advised by Second Target PRC Subsidiary, the development plan is subject to further planning and government approvals before construction and is for sale purpose. Second Project is located at the interchange place of Jiuzhou Road and Yingbin Road, Xiangzhou District, Zhuhai City. Developments nearby are mainly commercial and residential development. According to Second Target PRC Subsidiary, Second Project is planned for commercial office use; there is no environmental issues and litigation dispute; there is no plan to change the use of Second Project. As advised by Second Target PRC Subsidiary, the land use rights of Second Project would be granted as a whole for a term of 50 years for development of commercial office uses.	Second Project comprised northern part and southern part of the land. Northern part is currently erected with 9 blocks of abandoned industrial buildings pending for demolition; southern part is a vacant land. Second Project is vacant pending for future development.	RMB2,050,000,000 (RENMINBI TWO BILLION FIFTY MILLION) (Our valuation is on the basis of northern part site clearance done; the land use rights of 9 industrial lands with a site area of 28,269.54 sq m have been granted for commercial and office uses with Real Estate Title Certificate.)

Notes:

(1) According to 10 Real Estate Title Certificates, the land use rights of Second Project is granted to Second Target PRC Subsidiary as below:

Certificate No.	**Site Area** *(sq m)*	**Land Use**	**Land Use Term**
South Land 6100930	15,386.46	Commercial and office	Till 30 September 2040 and 30 September 2050
North Land 6100931, 6100933 to 6100939, 6576070	28,269.54	Industrial	Till 13 April 2050
Total:	**43,656.00**		

Our valuation is on the basis of the land use rights of 9 industrial lands with a site area of 28,269.54 sq m have been granted for commercial and office uses with Real Estate Title Certificate.

(2) According to Reply Letter to Rebuild and Renewal of Zhuhai Polytec Project issued by 珠海市香洲區住房和城鄉建設局 (Housing and Urban-Rural Construction Bureau of Xiangzhou District of Zhuhai City) dated 4 June 2018, north and south land of Second Project would be developed together as a whole.

(3) According to the information provided by Second Target PRC Subsidiary, Second Project is scheduled to be fully completed in 2021 and the estimated total construction cost to complete the development is approximately RMB1.3 billion.

(4) According to Business Licence No. 914404007993978614 dated 1 July 2016, Second Target PRC Subsidiary was established as a limited liability company on 19 April 2007.

(5) According to the PRC legal opinion:

(i) Second Target PRC Subsidiary is legally established under the PRC law;
(ii) Second Target PRC Subsidiary has legally obtained Real Estate Title Certificate, and is the sole registered owner of land use rights, recognized and protected by PRC law;
(iii) Second Target PRC Subsidiary has rights to occupy and use land within the time limit, and has rights to mortgage, transfer, lease of land use rights or deal with land use rights by other means;
(iv) On 4 June 2018, Xianghai District Housing and Urban Renewal Bureau of Zhuhai City (珠海市香洲區住房和城市更新局) issued "*Reply About The Reconstruction And Renovation*" of Second Project to Second Target PRC Subsidiary indicating that project handling process has been agreed, the original approved construction indicators for southern part of the land will be kept in use, no additional land premium to be charged. After confirming the detailed indicators of renovation plan for northern part of the land and completing land use rights grant procedure, southern part of the land and northern part of the land will be merged in according with unified planning and construction, and undertaken based on urban renewal policies and existing plan, under the condition that the total indicators and functional configuration indicators for southern part of the land and northern part of the land remain unchanged; and
(v) Since Second Target PRC Subsidiary has obtained Real Estate Title Certificate, it does not affect the land ownership and subsequent development and construction if there is no Grant Contract of Land Use Rights.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by Second Target PRC Subsidiary and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes (Commercial office and industrial)
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

a. Long positions in the shares of the Company

Directors	**Capacity and nature of interests**	**Number of ordinary shares held**	**Percentage of the issued ordinary share capital** *(Note 1)*
Mr. Or Wai Sheun *(Notes 2 and 4)*	Founder and beneficiary of a trust	3,260,004,812	73.44%
Mr. Yeung Kwok Kwong	Personal	2,000,000	0.05%
Ms. Wong Yuk Ching	Personal	6,655,000	0.15%
Ms. Chio Koc Ieng	Personal	270,000	0.01%
Mr. Lai Ka Fai	Personal	430,000	0.01%
Ms. Or Pui Ying, Peranza *(Notes 3 and 4)*	Beneficiary of a trust	3,260,004,812	73.44%
	Personal	7,000,000	0.16%

b. Long positions in the shares of KDC

Directors	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital *(Note 6)*
Mr. Or Wai Sheun *(Notes 2 & 5)*	Founder and beneficiary of a trust	830,770,124	70.61%
	Corporate	277,500	0.02%
Mr. Yeung Kwok Kwong	Personal	180,000	0.02%
Ms. Wong Yuk Ching	Personal	1,170,000	0.10%
Ms. Chio Koc Ieng	Personal	225,000	0.02%
Mr. Lai Ka Fai	Personal	751,000	0.06%
Ms. Or Pui Ying, Peranza *(Notes 3 and 5)*	Beneficiary of a trust	830,770,124	70.61%

c. Long positions in Ors Holdings Limited

Directors	Capacity and nature of interests	Number of ordinary share held	Percentage of the issued ordinary share capital
Mr. Or Wai Sheun *(Note 7)*	Founder and beneficiary of a trust	1	100.00%
Ms. Or Pui Ying, Peranza *(Note 7)*	Beneficiary of a trust	1	100.00%

Notes:

(1) As at the Latest Practicable Date, the total number of issued shares of the Company was 4,438,967,838 ordinary shares.

(2) Mr. Or Wai Sheun was deemed to be interested in 830,770,124 ordinary shares in KDC as the founder and one of the beneficiaries of a discretionary family trust. Mr. Or Wai Sheun was also deemed to be interested in 277,500 ordinary shares in KDC owned by China Dragon Limited due to his corporate interest therein.

Mr. Or Wai Sheun was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through his interest in KDC.

(3) Ms. Or Pui Ying, Peranza was deemed to be interested in 830,770,124 ordinary shares in KDC as one of the beneficiaries of a discretionary family trust.

Ms. Or Pui Ying, Peranza was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through her interest in KDC.

(4) The interest in 3,260,004,812 ordinary shares in the Company as disclosed respectively by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza mentioned in this section and as disclosed respectively by KDC, Ors Holdings Limited and HSBC International Trustee Limited mentioned in the section under the heading of "Interests of Substantial Shareholders" in this appendix were the same interests in the Company.

(5) The interest in 830,770,124 ordinary shares in KDC as disclosed above by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza respectively were the same interests in KDC.

(6) As at the Latest Practicable Date, the total number of issued shares of KDC was 1,176,631,296 ordinary shares.

(7) The interest in 1 ordinary share in Ors Holdings Limited as disclosed above by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza respectively were the same interests in Ors Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

a. Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, save for the Acquisitions.

b. Interests in contracts

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group, save for the outstanding loan amount to the Group from Marble King of approximately HK$616.7 million in which Mr. Or, Ms. Ng, Mr. Or Pui Kwan, Mr. Yeung Kwok Kwong and Mr. Lai Ka Fai are directors of Marble King.

c. Interests in competing business

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

d. Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions

Substantial shareholders	**Capacity and nature of interests**	**Number of ordinary shares held**	**Percentage of the issued ordinary share capital** *(Note 1)*
Ors Holdings Limited *(Notes 2 and 4)*	Corporate	3,260,004,812	73.44%
HSBC International Trustee Limited *(Notes 3 and 4)*	Trustee	3,260,004,812	73.44%
Kowloon Development Company Limited *(Notes 4 and 5)*	Corporate	3,260,004,812	73.44%

Notes:

(1) As at the Latest Practicable Date, the total number of issued shares of the Company was 4,438,967,838 ordinary shares.

(2) Ors Holdings Limited held 830,770,124 ordinary shares in KDC (being 70.61% of the issued ordinary shares of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.

(3) Based on information available to the Company, HSBC International Trustee Limited held 831,617,074 ordinary shares in KDC (being 70.68% of the issued ordinary shares of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.

(4) The interest in 3,260,004,812 ordinary shares in the Company as disclosed respectively by KDC, Ors Holdings Limited and HSBC International Trustee Limited mentioned in this section and as disclosed respectively by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza mentioned in the section under the heading of "Disclosure of Interests" in this appendix were the same interests in the Company.

(5) According to the register of the Company, as at the Latest Practicable Date, KDC was interested in 3,245,004,812 ordinary shares in the Company (being 73.10% of the issued ordinary shares of the Company). On specific enquiries made, KDC had confirmed that as at the Latest Practicable Date, it was interested in 3,260,004,812 ordinary shares in the Company. There was a difference of 15,000,000 ordinary shares between the actual number of shares interested in of KDC and the number of shares interested in as disclosed by KDC because KDC did not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. EXPERT'S QUALIFICATIONS AND CONSENT

a. The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

Name	Qualification
Altus Capital Limited	a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under SFO
Cushman & Wakefield Limited	Registered professional surveyors, valuers and property advisers

b. The above experts have given, and have not withdrawn, their respective written consent to the issue of this circular with the inclusion of the references to their name and/or their opinion in the form and context in which they are included.

c. As at the Latest Practicable Date, the above experts did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

d. As at the Latest Practicable Date, the above experts did not have any interest, direct or indirect, in any asset which has been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL CONTRACTS

Save for the Agreements, the Group did not have any contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date and are or may be material.

7. GENERAL

a. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

b. The principal place of business of the Company is located at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.

c. The branch share registrar of the Company, Tricor Tengis Limited, is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

d. The company secretary of the Company is Mr. Lee Chi Ming, an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Chartered Financial Analyst of the CFA Institute.

e. The registered office of the Independent Financial Adviser is at 21 Wing Wo Street, Central, Hong Kong.

f. The registered office of the auditor of the Company is KPMG at 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong.

g. This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business of the Company at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong, from the date of this circular, up to and including the date of the EGM:

a. Memorandum and articles of association of the Company;

b. Annual reports of the Company for each of the three years ended 31 December 2017;

c. Interim report of the Company for the six months ended 30 June 2018;

d. Letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 21 of this circular;

e. Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 43 of this circular;

f. Consent letter issued by the Independent Financial Adviser referred to in the section headed "Expert's Qualifications and Consent" in this appendix;

g. Valuation reports of the Projects, the text of which is set out in Appendix V to this circular;

h. Consent letter issued by the independent property valuer in the section headed "Expert's Qualifications and Consent" in this appendix;

i. The Agreements; and

j. This circular.

POLYTEC ASSET HOLDINGS LIMITED
保利達資產控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Polytec Asset Holdings Limited (the "**Company**") will be held at U Banquet, 4th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong on Wednesday, 21 November 2018 at 10:00 a.m. for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(1) "**THAT** the sale and purchase agreement dated 22 June 2018 (the "**Smart Rising Agreement**") entered into between Noble Prime International Limited ("**Noble Prime**"), a direct wholly-owned subsidiary of the Company, and Polytec Holdings International Limited (the "**Vendor**") in relation to the acquisition of 500 ordinary shares of Smart Rising Limited ("**Smart Rising**") representing 50% issued share capital of Smart Rising and the sale loan representing 50% of the obligations, liabilities and debts owing or incurred by Smart Rising to the Vendor as at 31 May 2018 at an initial consideration of HK$1,200,111,000 subject to a consideration adjustment to a cap of HK$311,912,000 and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved and that any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things as he/she considers necessary and to sign and execute all such documents for the purpose of giving effect to the Smart Rising Agreement and completing the transactions contemplated thereunder."

(2) "**THAT** the sale and purchase agreement dated 22 June 2018 (the "**Allround Agreement**") entered into between Noble Prime and the Vendor in relation to the acquisition of 60 ordinary shares of Allround Holdings Limited (全能控股有限公司*) ("**Allround**") representing 60% issued share capital of Allround and the sale loan representing 60% of the obligations, liabilities and debts owing or incurred by Allround to the Vendor as at 31 May 2018 at a consideration of HK$644,378,000 and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved and that any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things as he/she considers necessary and to sign and execute all such documents for the purpose of giving effect to the Allround Agreement and completing the transactions contemplated thereunder."

By Order of the Board
Polytec Asset Holdings Limited
Lee Chi Ming
Company Secretary

Hong Kong, 26 October 2018

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.

3. For the purpose of determining shareholders who entitle to attend and vote at the EGM, the Register of Members of the Company will be closed from Friday, 16 November 2018 to Wednesday, 21 November 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the EGM, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 November 2018.

4. The votes of the shareholders to be taken at the meeting will be by a poll in which Marble King International Limited, Mr. Or Pui Kwan, Ms. Or Pui Ying, Peranza and their associates will abstain from voting.

5. The English text of this notice shall prevail over the Chinese text.

** For identification purpose only*